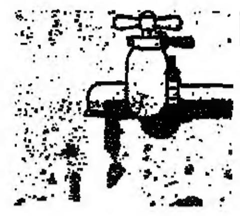
FINANCIAL TIMES

Europe's carmakers
Where are the mergers?
Page 13

Digital world
The shrinking camcorder
Technology, Page 10

Joan Collins
A contract made in heaven
Page 4



Water war
Disputing the Euphrates
Page 5

World Business Newspaper

THURSDAY FEBRUARY 15 1996

Unilever makes $770m bid for US hair care group

Anglo-Dutch consumer goods company, Unilever, yesterday made a $770m agreed offer for Helene Curtis, a US maker of shampoos and other personal products. The purchase overcomes a critical strategic weakness for Unilever, which is hampered by a lack of hair care products in the US where it is strong in areas such as skin care and toothpaste. Helene Curtis has about 20 per cent of the hair market with its Suave shampoo. Page 15; Lex, Page 14

Gramm pulls out of US presidential race

Senator Phil Gramm of Texas pulled out of the race for the Republican presidential nomination, leaving the remaining eight candidates competing for his supporters ahead of the make-or-break New Hampshire primary. "It would be unfair for me to remain in the race when I know I'm not going to win," he said. Mr Gramm said he had not yet made up his mind on endorsing another candidate. Page 14; White House upbeat on upturn, Page 4

Bosnian Moslems face war crimes move: The United Nations war crimes prosecutor, Judge Richard Goldstone, faced with furious Serb allegations of bias, said he expected to indict some Bosnian Moslems in the next few weeks. Page 2

Turkish parties to resume coalition talks: Turkey's Islamist party, Refah, and the opposition conservative Motherland party are to resume talks today amid suggestions they had agreed to form a new coalition government. Page 14

Renault, the state-controlled French vehicles group, hinted profits for 1995 may be below those for 1994 due to difficult trading conditions in the second half of last year. Page 16

Plan to boost La Scala approved: La Scala and the Milan city authorities approved a plan to take over the running of the Italian opera house in a move to inject new capital and avoid the disputes which have often threatened to paralyse it. Page 2

Mobil, the US oil group, is planning a A$1.24bn ($939m) takeover bid for Ampolex, the Sydney-based energy group with oil and gas production assets. Ampolex said the bid was unsolicited and that it would issue a formal response later. Page 15

South Africa to improve work conditions: The South African government proposed sweeping changes to basic conditions of employment, but stopped short of seeking to impose a national minimum wage. Page 5

UK to oppose defence merger idea: The UK Ministry of Defence would oppose any attempt by the General Electric Company and British Aerospace to merge their defence businesses, according to private MoD documents. However, the companies are likely to fight to get the policy changed in case they decide to merge. Page 14

MEPs vote for TV quotas: Euro-MPs voted in favour of controversial proposals which would force European broadcasters to screen a quota of European-made programmes. Page 2

PolyGram, the world's largest music group, plans to bid for Hollywood film studio, MGM/UA, but "only if the price is right", says its president Alain Lévy. Page 15; Lex, Page 14

Former Spanish judge gunned down: A former leading judge and university professor, Francisco Tomas y Valiente, was shot dead in Madrid. The police said it did not know who was responsible for the killing. Page 2

Deaths ahead of Bangladesh poll: Three people were killed in bomb blasts and around 150 injured in widespread violence in Bangladesh despite tight security ahead of today's general elections. Bangladesh PM's warning, Page 6

Portugal set to reverse time decision: Portugal is expected to abandon Central European Time and move its clocks back an hour to the same time as the UK and Ireland after four years of aligning with the rest of western Europe. Page 2

World Cup cricket: England lost their opening match in the World Cup tournament against New Zealand by 11 runs in Ahmedabad, India.

Drinker behind bars again: Frenchman Philippe Delandtscheer has been jailed for the 51st time in Lille, northern France, for stealing another bottle of his favourite aniseed-flavoured liqueur.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,582.57	(-38.66)
NASDAQ Composite	1,085.28	(-1.94)
Europe and Far East		
CAC40	1,956.38	(-26.95)
DAX	2,427.07	(-6.84)
FT-SE 100	3,745.0	(-2.6)
Nikkei	20,943.59	(+159.36)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	4.919%
Long Bond	99
Yield	6.068%

OTHER RATES

UK: 3-mo Interbank	6⅛%	(6⅛%)
UK: 10 yr Gilt	98⅝	(99½)
France: 10 yr OAT	104.92	(105.38)
Germany: 10 yr Bund	98.94	(99.42)
Japan: 10 yr JGB	111.067	(111.184)

NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$17.76	(17.75)

GOLD

New York: Comex		
(Apr)	$406.5	(405.1)
London:		
close	$402.8	(402.2)

DOLLAR

New York: lunchtime		
£	1.538	
DM	1.4663	
FFr	5.055	
SFr	1.19775	
Y	106.655	
London:		
£	1.5385	(1.5334)
DM	1.4692	(1.4782)
FFr	5.0633	(5.0895)
SFr	1.1993	(1.206)
Y	106.805	(106.965)

STERLING

DM	2.2603	(2.2666)
Tokyo close:	Y106.75	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk85
Bulgaria	Lev130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kc60	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (mainland)		Turkey	L70,000
France	FFr11.50	Lebanon	LL3,000		Es240	UAE	Dh12.00

Long-awaited Scania flotation set to go ahead

Wallenberg investment arm to sell 65% of Swedish truckmaker

By Hugh Carnegy in Stockholm

Investor, the main investment arm of Sweden's Wallenberg industrial empire, is poised to go ahead with the long-anticipated flotation of Scania, the world's fifth largest heavy truckmaker estimated to be worth up to SKr30bn ($4.3bn).

An announcement appears likely as early as today when Investor publishes its 1995 results after a meeting in Stockholm of the group's board, chaired by Mr Peter Wallenberg, the family patriarch. Investor, which first signalled its intention to float a majority of Scania a year ago, has said it will sell about 65 per cent of the company which it has wholly owned since 1991.

The flotation is set to be one of the biggest by a Swedish company, exceeding the recent series of privatisation issues and an unprecedented SKr7.8bn rights issue last year by Ericsson, the telecommunications group.

Investor has acknowledged it missed out on a chance to maximise its returns from a Scania flotation last year when the truck sector was booming. But it preferred to wait while Scania brought to market an important new truck series launched last October which won the European truck of the year award.

Since then, demand for trucks has flattened and there are worries about economic developments in Europe, Scania's main market. The board will have to weigh those factors as it makes its final decision. But a recent upturn in cyclical stocks and Investor's belief that truck demand in Europe will remain strong are expected to be decisive arguments in favour of going ahead soon.

Floating Scania will mark a further step in a series of moves by the Wallenberg sphere to lessen its traditional reliance on cyclical sectors such as engineering and the forestry industry and graft on more technology-based, growth-oriented investments.

The cash raised by the Scania sale would give Investor – which groups strategic shareholdings in blue chips including Astra, Ericsson, Electrolux, SKF and Stora – significantly added resources to continue the process.

The flotation is also designed to help Investor overcome the habitual heavy discount to net asset value its shares have suffered because of its complex structure, which groups companies in widely different sectors.

However, Investor will remain the dominant shareholder in

Continued on Page 14
Demand sputters, Page 13
Lex, Page 14

Dispute over drugs delays move to scrapping EU borders

By Ronald van de Krol in Amsterdam and David Buchan in Paris

The Schengen agreement on a border-free European Union was dealt a further blow yesterday when a five-nation "drugs summit" was postponed because of a continuing clash between the Netherlands and France.

France claims that the Netherlands' liberal policies on the availability of "soft" drugs has made the country a conduit for drugs into the rest of Europe – a particular target is the Netherlands' practice of allowing sales of small quantities of marijuana at coffee shops.

France, a member of the Schengen "club", cited the dangers of drugs and terrorism as its reason for refusing to join the other six – Germany, the Netherlands, Spain, Portugal, Luxembourg and Belgium – in dismantling all border checks on travellers between the countries last year.

The decision to postpone the summit, pencilled in for March 7, was taken at a meeting in The Hague this week between Dutch and French civil servants on drugs trafficking. French officials said yesterday there was currently "no prospect of the sort of concrete achievement expected of a summit".

The countries have made progress in agreeing practical measures to promote co-operation in fighting the drugs trade. But they admitted yesterday that "a number of other important questions" had to be explored further before the leaders of the Netherlands, France, Belgium, Luxembourg and Germany could meet.

The postponement comes a week after a diplomatic row between Belgium and Spain over a Belgian court decision to release two alleged Basque terrorists prompted Spain to suspend co-operation with Belgium over extradition.

France may be reluctant fully to implement the Schengen accord – named after the Luxembourg town where the agreement was negotiated – even if the drugs dispute with the Netherlands is solved. An official said France's refusal fully to implement Schengen was also based on other factors, such as as "the terrorist threat in France which we do not believe has totally vanished".

Mr Hans van Mierlo, Dutch foreign minister, said the postponement was a "sensible" decision, adding that a meeting at ministerial level might be possible.

Since the 1970s, the Netherlands has differentiated between hard and soft drugs, and has tended to treat drug addicts as patients, not criminals. The Dutch have argued that, by tolerating controlled sales of small quantities of soft drugs, users will not be forced into contact with hard-drug pushers.

A Dutch government white paper recently proposed slightly more restrictive drugs policies – lowering the limit on coffee-shop purchases from 30g to 5g per customer, and roughly halving the number of coffee shops to 600. It also proposed taking a more benign view of small-scale home cultivation of marijuana.

Piracy dispute prompts retaliatory words to US over $1bn trade threat

China warns against sanctions

By Guy de Jonquières and Peter Montagnon in London

China said yesterday it would retaliate strongly if the US carried out its threat to impose $1bn of trade sanctions on Chinese exports over a dispute about the piracy of computer and entertainment software.

"If the negotiation breaks down and the US takes unilateral retaliatory measures we also have to do something," Ms Wu Yi, China's foreign trade minister, said. "If they impose sanctions on $1bn worth of Chinese products we will have to come up with a list of over $1bn worth of products for retaliation."

Ms Wu, who is on a trade mission to Britain, said economic relations with the UK were set to improve now that the two countries had overcome differences over the handover of Hong Kong to Beijing next year.

She saw "enormous" potential for expanding trade and investment with the UK, if good bilateral relations over Hong Kong were maintained. Any political setback "would inevitably have an impact on trade and economic co-operation".

Ms Wu also warned that the US would suffer damaging economic consequences if Congress failed this summer to renew China's Most Favoured Nation trade status which expires in June – a step which would sharply increase tariffs on China's exports to the US.

She hinted that Beijing might respond by penalising US companies' operations in China. "The US has invested $9.4bn in 18,000 projects in China, so if MFN treatment was revoked, the US interest would also be damaged," she said.

Wu Yi: the US would suffer damaging economic consequences if it did not renew China's Most Favoured Nation status Picture: Ashley Ashwood

Ms Wu hoped action by the Clinton administration and Beijing, and efforts by the US, Chinese and Hong Kong business communities would secure MFN renewal. However, she said Beijing was "also prepared for the worst".

"If the US side indeed revoked China's MFN treatment, I don't think China would be the only victim," she said. "The US would also have to suffer." The US has accused China of failing to implement a bilateral agreement last year which committed Beijing to end rampant piracy of compact discs and other violations of intellectual property rights.

Washington, which recently sent a team of trade negotiators to Beijing to discuss the issue, says more pirated CDs are being produced in China than before the agreement was signed. Mr Mickey Kantor, US trade representative, has threatened China with more than $1bn of trade sanctions if it fails to act effectively.

Ms Wu said yesterday that Beijing had taken sweeping measures to crack down on copyright piracy, and was being blamed for only a few violations. It was impossible, even in industrialised countries, to end all violations in a short period of time.

She hoped the dispute could be settled through negotiation. But if the US imposed trade sanctions, it would not encourage China to co-operate in enforcing the copyright agreement.

China refuses to kow-tow, Page 4

P&G to cut prices in Europe's markets after US success

By Roderick Oram, in London

Procter & Gamble yesterday signalled a new low-pricing strategy across Europe to fight competition from discounters and supermarkets' own brands on detergents and other products.

The prospect of a price war unsettled share prices in London. Unilever, maker of Persil detergents, was down 1.3 per cent to £12.73 ($19.55) after more than matching a P&G price cut on dishwashing liquid.

P&G hopes to repeat the US success of its switch to "every day low pricing" four years ago. It increased sales by keeping prices steady instead of introducing frequent discounts and other promotions.

"It's been a huge success for P&G in controlling the growth of private label," a New York analysts said. "But they have had to dig deep on costs." P&G has closed dozens of plants and shed thousands of employees around the world in recent years.

"Branded goods makers have to make themselves more competitive against discounters and private labels," a Brussels-based executive of P&G Europe said.

P&G had increased pressure on competitors in the UK, Belgium and Germany to cut prices and other countries were likely to follow, a London analyst said.

The strategy is also being pursued by former P&G employees. Mr Ed Artz, who retired as P&G's chairman last year, has joined Barilla, the Italian pasta maker. He said that Barilla was able to cut prices by 12 per cent if it discontinued price promotions.

The company would not say which categories might get the price reductions but said it would "look at applying it wherever products are under heavy promotional pressure".

A competing UK manufacturer said P&G's recent price cut on dishwashing liquid was a response to inroads from own-label products. P&G's market share fell from 52 per cent to 46 per cent last year. Across the UK detergents market, own-label products increased their share from 14 per cent to 19 per cent in the past four years.

Tesco, the UK's biggest grocery retailer, said P&G's cut had not had any impact on sales and its own-label product remained cheaper. But hinted it might cut own-label prices in response to further moves by P&G.

The new strategy will test

Continued on Page 14

CONTENTS

 No 32,909 Week No 7

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO

Five-nation 'drugs summit' postponed as France and Netherlands clash over policy

EU open borders pact dealt new blow

By Ronald van de Krol in Amsterdam and David Buchan in Paris

The Schengen agreement on a Europe of open borders was dealt a further blow yesterday when a five-nation "drugs summit" was postponed because of a continuing clash between the Netherlands and France.

France claims that liberal Dutch policies on the availability of "soft" drugs has made the Netherlands a conduit for drugs into the rest of Europe – a particular target is the practice of condoning sales of small quantities of marijuana at coffee shops.

France is a member of the Schengen "club" but cited the dangers of drugs and terrorism as its reason for refusing to join the other six – Germany, the Netherlands, Spain, Portugal Luxembourg and Belgium – in dismantling all border checks on travellers between the countries last year.

The decision to postpone the summit, pencilled in for March 7, was taken a meeting in The Hague this week between Dutch and French civil servants on drugs trafficking. French officials said yesterday there was currently "no prospect of the sort of concrete achievement expected of a summit".

The countries have made progress in agreeing practical measures to promote co-operation in fighting the drugs trade.

But they admitted yesterday that "a number of other important questions" had to be explored further before the leaders of the Netherlands, France, Belgium, Luxembourg and Germany could meet.

The postponement comes a week after a diplomatic row between Belgium and Spain over a Belgian court decision to release two alleged Basque terrorists prompted Madrid to suspend compliance with the extradition clauses of the Schengen agreement.

It has also become clear that France might be reluctant to implement the Schengen accord fully even if the drugs dispute with the Netherlands was solved. An official said yesterday suspension of Schengen rested on other factors, such as "the terrorist threat in France which we do not believe has totally vanished".

Mr Hans van Mierlo, the Dutch foreign minister, said the postponement was a "sensible" decision, adding that a meeting at ministerial level might be possible later this year.

One idea, expected to be put into practice later in 1996, is the creation of experimental Franco-Dutch teams to check ships for drugs in Marseilles and Rotterdam. Since the 1970s, the Netherlands has differentiated between hard and soft drugs, and has tended to treat drug addicts as patients, not criminals. The Dutch have argued that, by tolerating controlled sales of small quantities of soft drugs, users will not be forced into contact with hard-drug pushers.

A Dutch government white paper recently proposed slightly more restrictive drugs policies – lowering the limit on coffee-shop purchases from 30g to 5g per customer, and roughly halving the number of coffee shops to 600.

But it also proposed taking a more benign view of small-scale home cultivation of marijuana.

UN prosecutor targets Bosnian Moslems

By Bruce Clark, Diplomatic Correspondent

The United Nations war crimes prosecutor, Judge Richard Goldstone, faced with furious Serb allegations of bias, said yesterday that he expected to indict some Bosnian Moslems in the next few weeks.

In a statement aimed at calming tempers in the region, Judge Goldstone said a probe into alleged Moslem war crimes was "reaching finality".

He also insisted that he welcomed information from all sources – including those in Serbia, where his investigators had applied unsuccessfully to open an office.

The statement drew a warm welcome from senior western officials who have expressed fear that controversy over war crimes could wreck the Bosnian peace process.

In Belgrade and Serb-held Bosnia, however, there was continuing anger over this week's deportation of two senior Bosnian Serb officers to face questioning by the war crimes tribunal in The Hague.

Mr Zoran Lilic, president of the rump Yugoslav state which consists of Serbia and Montenegro, accused the tribunal of making "biased and one-sided moves".

So far the court has indicted 52 people – 45 Serbs, including the main Bosnian Serb leaders, Mr Radovan Karadzic and General Ratko Mladic – and seven Croats.

This week's deportation of two Serb officers to The Hague was widely believed to have been part of a deal brokered by Mr Richard Holbrooke, the US envoy, by which the Bosnian government would refrain in future from "unilateral" arrests of war crimes suspects without the UN court's approval.

Mr Holbrooke, about to retire as assistant secretary of state, paid a farewell visit to London yesterday, mending fences after an US-UK dispute over Balkans policy.

Britain had reacted furiously to a claim by Mr Holbrooke that the Europeans had "slept through the night" during a recent naval showdown between Greece and Turkey in the Aegean. However, differences of emphasis between Britain and the US over Greek-Turkish issues emerged yesterday when Mr Malcolm Rifkind, UK foreign secretary, backed Turkey's demand for direct talks with Athens on outstanding issues.

Mr Rifkind also distanced himself from a statement by the European Commission which expressed solidarity with EU member Greece. He said that the Aegean dispute was not the direct concern of EU institutions.

He was speaking after talks yesterday with Mr Deniz Baykal, Turkish foreign minister, who reiterated the demand for bilateral talks, saying: "We hope to start a new era, a new phase in which we will be able to negotiate the difficulties we are having."

The US, in a position closer to that of Greece, has suggested referring outstanding disputes to the International Court of Justice in The Hague or some other legal arbitration. This proposal has met a cool reception in Turkey.

Asked about the US proposal for arbitration, Mr Baykal said bilateral talks should take priority. "I think these problems should be tackled between the two countries directly . . . if possible we should begin to solve the issues together before referring it to any consensual body," he said.

Mr Rifkind's support for bilateral talks and his statement that "the European Union does not take a position with regard to territorial disputes" should guarantee him a stormy reception when he visits Athens next week.

US special envoy Richard Holbrooke (right) in London yesterday with British defence secretary Michael Portillo. Mr Holbrooke discussed the Balkans and the Aegean with UK officials Reuter

President Scalfaro prepares his next spin of the political wheel

Italy awaits decision on poll

By Robert Graham in Rome

President Oscar Luigi Scalfaro yesterday refused to be hurried into a decision on dissolving parliament following the failure of Mr Antonio Maccanico to form a broad-based government pledged to reform the Italian constitution.

The head of state has long resisted holding early elections on the grounds that a poll without electoral reforms and stringent rules on fair media coverage would create more problems than it solved. He has also sought to avoid a political upheaval during the six-month Italian presidency of the European Union that ends in June

But yesterday the president was under strong pressure from the centre-left alliance to opt for an early general election as Mr Maccanico formally renounced his role as prime minister-designate after 13 days. The earliest possible date would be in April.

In contrast the right-wing alliance, headed by former prime minister Silvio Berlusconi, was trying to drum up support for the establishment of a constituent assembly with the task of redrawing the Constitution. This idea has been endorsed in the past by the populist Northern League of Mr Umberto Bossi. If the League were to back the move proposed by Mr Berlusconi, there would be an ample majority in parliament. The uncertainties surrounding these conflicting pressures saw the lira fall against all major currencies.

The lira lost nearly 1.5 per cent against the D-Mark yesterday, closing at L1,076. Stocks on the Milan bourse also reflected the political confusion, falling 3 per cent.

President Scalfaro will now carry out a series of consultations, allowing himself several days before he makes up his mind. Even if there is a parliamentary majority in favour of a constituent assembly, he is unlikely to ignore the objections of the centre-left, in particular those of the Party of the Democratic Left (PDS).

Any move to establish such an assembly would first involve the lengthy process of changing the Constitution to permit such a body to be elected by a proportional vote.

Thus the president would have to find a government that could last long enough to discuss and approve the reforms. Mr Maccanico, one of the most experienced back-stage negotiators in Italian politics, failed to overcome this hurdle during his 13 days of intense talks with the parties.

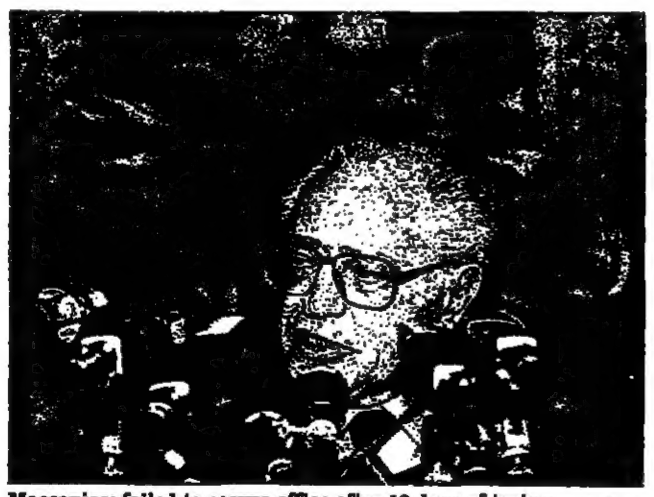
President Scalfaro is likely to ask Mr Lamberto Dini, the outgoing prime minister, to stay on as caretaker. He may seek to give him an enhanced role – to draw up the 1997 budget – that would keep him in office beyond April. But this would require finding a parliamentary majority and carrying out at least a minor ministerial reshuffle.

This will not be easy and Mr Scalfaro may be forced to conclude he has no option but to dissolve the country's 11th post-war legislature before the end of the month.

Mr Maccanico only had a slim chance of success; but the main protagonists, Mr Berlusconi and Mr Massimo D'Alema, the PDS leader, wanted an agreement.

The deal fell apart because everyone approached the idea of forming a broad-based reform government with a different agenda. Mr Berlusconi needed time to resolve his serious judicial problems, with one corruption trial in progress and as many as three others in prospect – all relating to alleged irregularities while running his Fininvest empire.

Mr D'Alema feared an early election because the centre-left alliance risked losing. He had counted on teaming up with former magistrate, Mr Antonio Di Pietro, still the most popular figure in the opinion polls; but the latter remains reluctant to enter politics so long as his reputation is not cleared in the courts. Mr Di Pietro is accused of blackmail and abuse of office before he joined the Milan magistrature's anti-corruption team.



Maccanico: failed to secure office after 13 days of trying Reuter

Portugal set to move out of its 'dark age'

By Peter Wise in Lisbon

Portugal is widely expected to abandon Central European Time this year and move its clocks back by an hour to the same time as the UK and Ireland after four years of aligning with the rest of western Europe.

The change would end what is popularly denounced as the "dark age" that makes most of the country travel to work and school before dawn in winter.

Mr António Guterres, the prime minister, said yesterday there was a strong movement in favour of change. Portugal's national time commission, a group of scientific experts appointed by central and regional government, was last night expected to deliver a formal recommendation backing the move, to the centre-left government.

Mr Guterres said that if the government opted for change, Portugal would rejoin Greenwich Mean Time by not moving its clocks forward this spring or by moving them back two hours in the autumn.

In 1992, the previous centre-right government abandoned GMT and turned the clocks forward an hour, on the grounds it would benefit the economy to be on the same time as the rest of continental Europe.

This placed Lisbon on the same time as Warsaw. As a result, the sun rises there after 9am in mid-winter and children travel to school in the dark for most of the year.

In addition to the safety risks for children and open-air workers, supporters of GMT blame the time change for increased school failure rates, lowered productivity and increased energy costs.

The argument for aligning financial markets with continental Europe has also lost weight, especially after a proposal that the UK scrap GMT and move an hour forward failed in the British parliament last month.

"In many ways, the more in line Portugal is with London and the US the better," says Mr Pierre Boulle, head of research at Lisbon brokers Fincor. "That is where most of our bond and equity investment comes from."

Airlines are the only vocal opponents to change, arguing that until schedules can be renegotiated, some departures would become too early to be commercially viable. But the overwhelming public mood favours trading harmony with Brussels, Brescia and Berlin for breakfast in daylight.

John Simkins on a scheme to inject new capital into Italy's opera houses

La Scala prepares to change its tune

La Scala and the Milan city authorities have given the formal go-ahead to a plan to take over the running of the famous opera house. The aim is to inject new capital and avoid the contractual disputes which have often threatened to paralyse it.

Since the end of last year La Scala has been examining a government proposal, included in the national budget, which provides for the country's 13 state-run opera houses – La Scala among them – to transform themselves into private institutions run by non-profit foundations under the control of the Treasury.

Senior representatives of the authorities seeking to set up a foundation for La Scala met this week and confirmed their intention to pursue the plan and set up a committee to report to the Treasury within a month. The government has until June to study proposals for opera house foundations.

Among those at the meeting was Mr Marco Formentini, who, as mayor of Milan, is chairman of La Scala's board, and Mr Giuseppe Vimercati, vice-chairman of the foundation controlling Cariplo, the big Milan savings bank whose headquarters is opposite La Scala and which would take a leading role in injecting capital. La Scala does not make a loss but needs funds for investment and a more extensive programme of productions.

Under the proposal, La Scala, Cariplo and the Milan and Lombardy municipal authorities would become members of the opera house's foundation and provide a capital base to enable it to make longer term financial plans and to attract more money from private sponsors. Currently, half La Scala's annual budget of L140bn (£58m) comes from the government.

Mr Vimercati said it was "unthinkable" for the state to end its contribution. However, the current state-run structure, with its rigid rules and procedures, meant that La Scala's "hands were tied", preventing its management from taking quick and easy decisions over the hiring of musicians.

The old system has created conflict between La Scala and its personnel, including a strike threat recently by musicians and stagehands

"For top-level professionals that is not adequate, and the system has created conflict between La Scala and its personnel," he said. A strike call last December by musicians and stagehands threatened the first night of the current season although settlement of a national musicians' contract, and then La Scala's contract with its own orchestra, finally allowed the performance of Mozart's "Magic Flute", conducted by Riccardo Muti, to go ahead.

Mrs Marilena Santelli, chairman of Milan council's cultural committee, said yesterday that, as a privately run body, La Scala would be able to negotiate directly with its musicians. Under current rules, which insisted on applicants taking examinations, it might take four months to hire a violinist.

"The reason for setting up a foundation would be partly practical and partly economic," she said. "It would provide more efficient management and allow for a greater financial contribution from private organisations. But we must not allow La Scala to become controlled by private companies because it is a public asset belonging to all of us."

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EUROPEAN NEWS DIGEST

MEPs vote for TV quotas

The European parliament yesterday voted in favour of controversial proposals which would force European broadcasters to screen a quota of European-made programmes. The vote was immediately condemned by the media industry which had fiercely resisted the proposed amendments to the "television without frontiers" broadcasting directive. The vote also sets the scene for a protracted row between the parliament and national governments which have opposed tighter limits on broadcasting content.

The parliament voted by 292 to 195 for a host of proposals which would legally oblige general content television channels to screen at least 51 per cent European-made programmes, a quota presently applied flexibly. MEPs also voted to introduce quotas on new "superhighway" services such as video on demand. MEPs backed most of the amendments tabled by the parliament's cultural committee. These included extending the rules on advertising to tele-shopping and imposing restrictions on advertising breaks. They also voted to make mandatory the installation of a "V-chip" in television sets which would enable parents to block violent programmes. The parliament's proposals will now be scrutinised by the Council of Ministers and Commission after which the parliament will vote on the issue again.

Caroline Southey, Strasbourg

German banks investigated

Prosecutors in Germany are investigating a large number of German banks which are suspected of violating money-laundering laws, the Munich public prosecutors office said. It said there was evidence that many German banks had converted drug-trafficking proceeds denominated in foreign currencies into marks without conducting proper checks. However, the prosecutors office did not name any banks. The investigation, running for over a year, is also examining charges that bank staff accepted bribes in the form of gifts or cash for handling the transactions. Strict German money laundering laws demand that banks take particular care in accepting large deposits from customers they do not already know.

Reuter, Frankfurt

EU warns Austria over accounts

The European Commission yesterday caused a political storm in Austria when it warned the Vienna government that it must abolish all anonymous savings accounts. Earlier this week, Mr Viktor Klima, the finance minister announced Austria will abolish anonymous securities accounts in mid-year, but will still allow Austrians to keep the popular anonymous savings accounts. This compromise was sharply criticised by the Commission, which argued in a letter that anonymous savings accounts also violate EU guidelines against money laundering. The Commission is also critical of the government's plan to phase out existing anonymous securities accounts over a long period of time. Mr Klima rejected the Commission's arguments and said the government will fight for this 200-year-old savings instrument until the very end.

Eric Frey, Vienna

Italian telephone row resolved

The Italian communications ministry yesterday resolved a row between the two rival companies competing for the cellular phone market which had threatened the accord governing the GSM digital network.

Telecom Italia Mobile (TIM), the state sector operator, agreed to provide the private Omnitel Pronto Italia with so-called "roaming", allowing Omnitel temporary use of its own network, from March 13. TIM refused to provide "roaming" on Tuesday, the original date stipulated, because it said Omnitel's network did not yet cover 40 per cent of the country, a condition of the accord. TIM declined to comment last night. Omnitel insisted that its network now covered 43 per cent of the land.

John Simkins, Milan

Fall in German GDP likely

German economic output is likely to decline in the current quarter, according to one of the country's leading economic research institutes. The Berlin-based DIW forecast that GDP would fall in seasonally adjusted real terms by about 1 per cent compared with the final three months of last year. It predicted a 0.5 per cent decline in GDP compared with the first 1995 quarter, with output falling by 1 per cent in western Germany against a rise in eastern German GDP of about 3 per cent.

The DIW, which tends to take a fairly gloomy view of German economic trends, was pessimistic about investment and exports. It pointed to recent sharp falls in industrial orders and very severe weather that had hit the construction industry. Private consumption had probably suffered from higher social security charges, which hit low income households. It doubted whether tax cuts which took effect in January would have a positive effect on first quarter demand.

Peter Norman, Bonn

Spanish jurist shot dead

One of Spain's top jurists was shot dead in his office on a university campus yesterday in an escalating terrorist campaign coinciding with the run-up to the country's general election on March 3. Police said they were looking for a member of a Madrid unit of the Basque separatist organisation Eta. Mr Francisco Tomás y Valiente, 63, a former president of the Constitutional Court, the highest court in Spain's legal system, was shot by a gunman as he was preparing for a class at the university, where he was professor of the history of law. It was the second interruption in the campaign, following the killing last week in San Sebastian of Mr Fernando Múgica, a prominent Socialist figure in the Basque country and brother of former justice minister Mr Enrique Múgica, one of the Socialist party's chief candidates in the region.

David White, Madrid

EU aid to ailing shipyard

The European Union approved a DM220m ($155m) loan guarantee made to troubled German shipyard Bremer Vulkan, a spokesman said yesterday. Concern had been growing in Germany that the Commission would use its powers to veto the aid which is considered vital for keeping Germany's biggest shipyard afloat.

But the EU is continuing a separate probe into an DM850m package already paid to Vulkan. That money was supposed to finance restructuring at two shipyards in the former East Germany, but the Commission believes it was used elsewhere by the company.

AP, Brussels

Swedish groups endorse Emu

The confederation of Swedish industries, which includes the country's phalanx of big international manufacturers such as Volvo, Electrolux and Ericsson, yesterday strongly endorsed European Monetary Union and urged the Social Democratic government to ensure Sweden qualified to participate.

"Emu is an essential part of future European co-operation. A strong economic and monetary union with a strong euro is good for Europe and good for Sweden," the confederation said in a statement issued by its board, which groups senior executives and owners, including Mr Peter Wallenberg, head of the powerful Wallenberg sphere of blue-chip companies.

Hugh Carnegy, Stockholm

S Africa to cut work hours to create jobs


Mboweni: seeking to cut 33 per cent unemployment rate

By Roger Matthews in Cape Town

The South African government yesterday proposed sweeping changes to basic conditions of employment aimed at reducing working hours, extending protection to more workers, enforcing higher payments for overtime and improving conditions for women. But it stopped short of seeking to impose a national minimum wage.

Mr Tito Mboweni, the minister of labour, said a bill replacing existing laws would be presented to the cabinet in June, and laid before parliament during the current session.

The legislation was designed to encourage the creation of jobs and greater flexibility in the workplace in order to reduce the 33 per cent unemployment rate.

Employers' organisations said several of the proposals would sharply increase costs, but wanted more time to study them before making a detailed response. Trade unions can also be expected to seek improvements when the proposals are debated by the National Economic Development and Labour Council which groups government, labour and employers.

An underlying assumption is that cutting hours and raising overtime payments will encourage employers to recruit more staff. A limit of 45 hours a week is suggested for those currently working up to 48 hours, while security staff employed in one of the country's biggest growth industries would have their average working week slashed from 60 hours to 48.

Overtime, at present paid at the rate of time and a third, would be raised to time and a half, with an upper limit of 10 hours a week. In many South African industries, workers normally work between three and six hours overtime a week.

In addition, night workers should receive an additional 20 per cent, the annual holiday entitlement should be increased from two to three weeks, and paid paternity leave of three days a year introduced. Improvements to working conditions for women include the right to four months' maternity leave with security of employment and the right to alternative work during pregnancy.

The government is also seeking to provide greater protection for part-time workers, farm employees and domestic staff. Most will come under the provisions of the new act, while any employer who uses labour-only contractors will become responsible for their conditions of work.

Flexibility is provided for by allowing unions and employers to negotiate variations to the law, subject to the approval of the ministry of labour. It also proposes the abolition of restrictions on Sunday working, which is viewed by the mining sector as critical to the survival of many marginal mines. However, Sunday working would be paid at double time.

Ministry of labour officials said the eventual target of a 40-hour week would have to depend on economic conditions and could not be achieved through legislation alone.

Mr Mboweni also announced that the labour relations act, which provides new machinery for settling labour disputes and gives workers the right to greater involvement in companies through workplace forums, would come into effect on May 1.

Euphrates power plant generates new tension

John Barham on a three-nation dispute over water

Syria and Turkey are divided by some of the world's most formidable border defences. Watchtowers, high barbed wire fences and minefields line the frontier. Radar and electronic eavesdropping systems probe into Syria from the Turkish side.

The two countries are old enemies: their 30-year quarrel over the waters of the Euphrates river is among the Middle East's most enduring disputes.

Now, tension along the border is rising again as Turkey begins work on the 672MW Birecik hydroelectric dam on the Euphrates. The dam is part of its Southeastern Anatolian Project (GAP), a vast irrigation and hydroelectric scheme that uses water from the Euphrates and the Tigris.

Syria and Iraq, which both rely on the rivers for their water supplies, have urged companies working on Birecik to pull out. "We may take action against the companies which are building this dam. If necessary, we may take action against Turkey," said Mr Abdul-Sattar Salman, under-secretary at Iraq's irrigation ministry.

He said that the companies, which include Germany's Philipp Holzmann, Alcatel Alsthom of France and Turkish contractor Gama, could be shut out of future projects in Iraq and Syria and perhaps in other Arab countries.

Although executives at Birecik AS, the consortium building the dam, dismiss this threat, it has again highlighted the potential for conflict between water-rich Turkey and the Arab world. "The Turkish-Syrian border could unexpectedly and rapidly become a crisis point," said Mr Daniel Pipes, editor of Middle East Quarterly.

Western diplomats say Syrian border violations have increased, prompting Turkey to reinforce its army in Hatay, a province claimed by Syria. Ankara accuses Syria of increasing its support of the Kurdistan Workers party (PKK) in its 11-year separatist war in southeastern Turkey. Damascus scarcely hides its backing for the PKK as a bargaining chip.

Syria recently won backing from the Arab League and the Gulf Co-operation Council. The water issue will be on the agenda at the League's summit in Cairo next month. Although Syria opposed Iraq in its war with Iran in the 1980s and sided with the western coalition in the 1991 Gulf War, the two are now working on a joint strategy against Turkey.

> Syria and Iraq are warning companies involved in the project to pull out or face unspecified sanctions

The dispute began in the 1960s when Turkey decided to harness the Euphrates and Tigris for irrigation and to produce electricity. Syria and Iraq withheld consent but Ankara went ahead. After many delays, GAP's completion is set for 2006 and is expected to cost $30.3bn in 1981 dollars.

In 1992, the 2,400MW Atatürk dam, the project's centrepiece, began producing electricity. In 1994 Turkey activated the Şanliurfa irrigation tunnel, diverting 30 cubic metres a second of Euphrates water to the arid Harran plain. Each time, Syria and Iraq protested loudly. In December, when Turkey announced it would build Birecik, they accused it of polluting the Euphrates and reducing water flows.

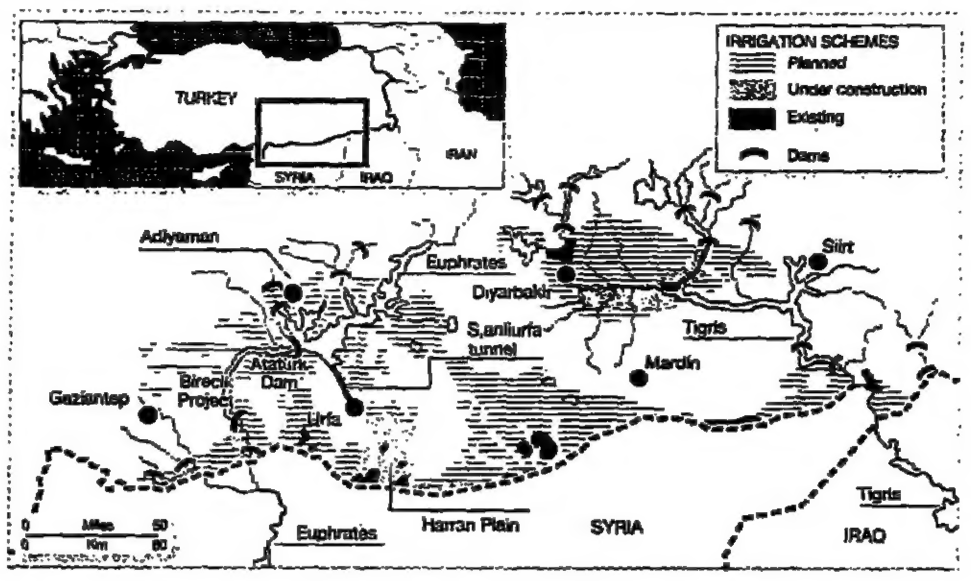
Turkish officials shrug off Arab protests. "Harran needs to be irrigated. Even after [completing] all the irrigation projects there will be enough water for Syria," said Mr Gün Gür, head of the foreign ministry's Middle East department. He accused Syria of "wasting" water, adding that it "should be grateful" to Turkey for regulating the Euphrates' flow, preventing seasonal floods.

Mr Gür said Turkey had kept its promise made in 1987 to maintain an average flow of 500 cubic metres per second on the Euphrates. Yet Syria complains that Turkey interrupts flows, causing power cuts and disrupting agriculture. It demands a treaty enshrining Turkey's 1987 promise. Ankara says Syria must first stop supporting the PKK, adding that a treaty should be based on a scientific assessment of each country's needs.

The water dispute has simmered for decades as a localised problem. Now, Israel and Syria are linking water to their peace talks. Mr Shimon Peres, Israeli prime minister, said this week that Israel would not surrender the Golan Heights' water sources. Instead, he suggested, "Syria could get water from Turkey and we would keep all the water sources that are under our authority today."

But Mr Temel Iskit, a senior Turkish foreign ministry official, said: "Turkey cannot arbitrarily give water to Syria just because of the Middle East peace process." However, Turkey wants Israel to force Syria to abandon the PKK as well as radical anti-Israel groups. Mr Gür said "banning terrorism [against Israel] is not enough. We urge the Israelis to discuss the question of terrorism as a whole". "Israel is not very interested in PKK terrorism," he complained.

"Water is the most sensitive issue in the Middle East," said an Israeli official. "There will only be stability once this question has been settled." He looks to the US. "The Turks will negotiate if the Syrians stop threatening them with PKK terrorism, but only the Americans can convince the Syrians to do so."



INTERNATIONAL NEWS DIGEST

Oilmen face death threat

Algeria's Islamic extremists have warned the country's oil and gas workers to stop work or face death, according to communiques published by London-based Arab dailies yesterday. The threat marks the first time the Armed Islamic Group (GIA) has singled out the oil and gas industry, generator of more than 90 per cent of the country's foreign exchange revenues. It comes at a time of increased western interest in the sector. Nearly $4.5bn of oil and gas contracts have been signed with foreign companies since December, including a $3.5bn deal for the development of southern oil fields with British Petroleum. An oil enhancement recovery contract with the US's Atlantic Richfield is expected to be announced soon.

Sonatrach, the state oil and gas company, yesterday dismissed the warning, saying the threats would not affect operations. "They have in the past threatened to harm foreign workers and this did not present a problem," a company spokesman said. *Roula Khalaf, London*

Doubts surround Iraq oil talks

Iraq's oil-for-food talks at the United Nations yesterday continued into a second week amid conflicting reports about whether progress had been made. Mr Abdul Amir al Anbari, the Iraqi special envoy, appeared eager to put a positive spin on the discussions during a briefing for non-aligned members of the Security Council.

But western diplomats said the negotiations had so far touched on only a few of the issues which must be resolved before up to $2bn of oil can be sold. Agreement was said to have been reached in principle on the proportion of aid that would go to the Kurd-run northern provinces of Iraq. But other issues, such as distribution of aid in government-controlled areas and financial details of the oil sales have yet to be discussed. Iraq has suggested a memorandum of understanding could be signed by the end of next week. But diplomats say the talks are likely to lastlonger. *Michael Littlejohns, New York, and Robert Corzine, London*

Zaire sabres fail to rattle exiles

Zaire's latest attempt to persuade Rwandan refugees to return home voluntarily looked in danger of foundering yesterday. The number of Hutus volunteering for repatriation from Kibumba camp – which was surrounded by Zairean troops and sealed off on Tuesday – failed to show any significant increase. Kibumba is the first of 42 settlements, holding more than 1m Hutus who fled the advance of the Tutsi-dominated Rwanda Patriotic Front in 1994, which the Zaireans intend to close. *Michela Wrong, Goma, Zaire*

Simex officials 'referred clients to trusted Leeson'

By Nicholas Denton

Simex, the Singapore futures exchange, was so trusting of Mr Nick Leeson that it referred clients to the now jailed Barings trader, according to his account of the UK merchant bank's collapse.

One of the clients introduced was the hedge fund which unwittingly provided cover for the derivatives trading by which Mr Leeson eventually brought down the bank with £830m (£540m) in losses.

There is no suggestion of any impropriety on the part of Simex officials, but Mr Leeson's disclosure is acutely embarrassing. It is an example of the clout Mr Leeson had on Simex, which made the exchange slow to pick up on his dealings.

According to Mr Leeson's book, Rogue Trader, some of the most important introductions came directly from Mr Ang Swee Tian, president of Simex. In 1993, Mr Ang introduced Mr Philippe Bonnefoy of European Bank & Trust, a hedge fund based in the Bahamas.

Mr Leeson used Mr Bonnefoy's fund as a front, allaying the suspicions of his superiors by disguising his own unauthorised trading activity as being on behalf of Mr Bonnefoy. In February 1995, in the days before the collapse, Barings executives thought it was this mystery client, rather than the bank itself, which had suffered losses. Simex officials did not discover that the trading was fictitious, although they knew Mr Bonnefoy, were aware of the existence of the 88888 account which Mr Leeson hid from Barings, and that it was showing huge losses.

Simex identified concerns regarding Mr Leeson's activities in January 1995, but failed to follow up with urgency, according to the official Singapore report into the collapse of Barings.

Simex also allowed Mr Leeson to engage in trades called "crosses" which are frowned on in most futures exchanges. This was the device by which the Barings trader shuffled money around, creating fictitious profits in the accounts which his superiors saw, and hiding losses in his secret 88888 account.

The official Singapore report said Simex's efforts to promote the futures market in Singapore might have made it over-liberal towards Barings. Simex, in strong competition with Japanese exchanges for business, gave Barings an award for volume in 1994. The report did not criticise any Simex officer by name and Mr Ang remains president of the exchange. Mr Ang was not available for comment. In December, Mr Leeson was sentenced to six months' jail for deceiving Barings' auditors and a further six years for "cheating" Simex.

In search of flexible labour – and votes

Employment policy divides Australia's parties more than any issue in general election, writes Nikki Tait

Policy differences between Australia's Labor government and the opposition Liberal-National coalition are hard to spot in the country's closely fought general election campaign. One exception is industrial relations.

On one side, Labor claims to have introduced enough labour market flexibility to allow industry to compete internationally. On the other, the coalition says it can give businesses more leeway without endangering workers' basic safeguards.

"I give you this rock-solid guarantee – our policy will not cut your take-home pay," Mr John Howard, coalition leader, has repeatedly told voters.

Will the Australian electorate believe him when it votes on March 2?

To outsiders, Australia's wage-setting procedures can be baffling. Until the mid-1980s, the country relied on a system of centrally-determined "award" wage payments and conditions. But as tariff walls came down and the economy became more open, this system looked untenable. So Labor, first under the prime ministership of Mr Bob Hawke and then under Mr Paul Keating, enacted a series of reforms, culminating in legislation three years ago to encourage the spread of decentralised "enterprise bargaining".

But the new system was superimposed on the old award structure, making for complexity. It was also enacted after tough negotiations with the unions.

One consequence was that every enterprise deal has to be scrutinised by the Australian Industrial Relations Commission and union representatives are entitled to make submissions during this vetting procedure, regardless of whether employees chose to have them involved. In a number of cases over the past three years, workers have been willing to accept an employer's conditions only to see union objections stall the process.

Nonetheless, by October last year, more than 5,800 federal enterprise agreements had been approved by the AIRC, and between 1992 and 1994, the share the workforce covered by such arrangements rose from 7 to 21 per cent.

"There is some firm-level evidence to indicate that enterprise agreements are contributing to increases in productivity," said the Bureau of Industry Economics in a report published last month.

But it also warned: "There remains a significant proportion of firms that have not yet embarked on a change programme which could bring it to the level of international best practice."

The opposition believes its proposed changes would help do that. Its leader, Mr John Howard, has a reputation as a staunch advocate of labour market reform, but one of the coalition's aims in this election has been to avoid frightening voters, so it has packaged its policies with care. For a start, Mr Howard has promised to maintain the award safety net and the AIRC. But it would no longer be asked to vet the new type of enterprise-based agreements.

Nonetheless, Labor and the unions view them as a means of dismantling workers' protection by stealth. Among other things, they say the workplace agreements would amount to individual contracts.

"When you sign an individual contract, there will be no one scrutinising – and when you find you are being ripped off, the only recourse will be through the common law system," said Ms Jennie George, president of the Australian Council of Trade Unions, the union umbrella body.

How heavily all this weighs in the minds of voters is hard to gauge. According to one poll, taken in mid-January, only 41 per cent thought industrial relations "very important" – 11th on a list of 14 subjects. Health came top, rated as very important by 72 per cent of the sample, followed by unemployment (69 per cent), and environmental and family issues (58 per cent).

Business, too, tends to have more pressing concerns. According to an industry survey by the Australian Chamber of Commerce and Industry, tax issues dominated the top 10 areas where change was felt to be critical. Reform of the unfair dismissal rules came in at eighth place, while other industrial relations issues ranked in the teens.

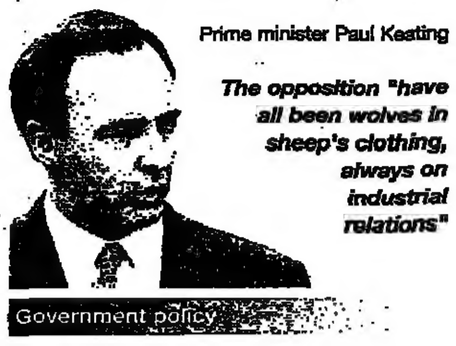
Nevertheless, the issue could resonate in states where Liberal premiers have attempted to impose their own labour market reforms on the federal model, and encountered some backlash – notably Victoria and Western Australia.

Mr Keating, for one, upped the tempo during a recent visit to Perth. "They've all been wolves in sheep's clothing, always on industrial relations," he said of the coalition leaders, maintaining that a soft pre-election tack tended to turn into tough legislation.

Conversely, Mr Howard's pledge to reform the unfair dismissal rules seems to have won broad support in the "small business" community. He has stressed that a regeneration of this sector is the best hope of reducing unemployment – a line which won big support from an audience of "uncommitted voters" during a televised "leaders' debate" last Sunday night.

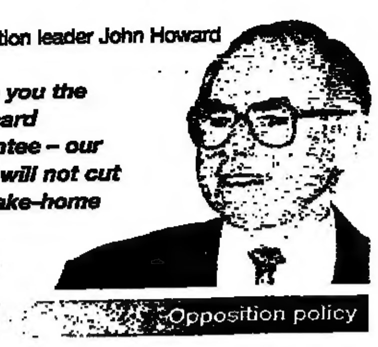
Perhaps all that can be safely said, is that the topic will not go away – a point underlined by Labor's recent decision to step up TV advertising on the issue. In an election where the outcome may depend on who wins a handful of marginal seats, any edge is worth having.

Industrial relations: who will the voters believe?



Prime minister Paul Keating

The opposition "have all been wolves in sheep's clothing, always on industrial relations"

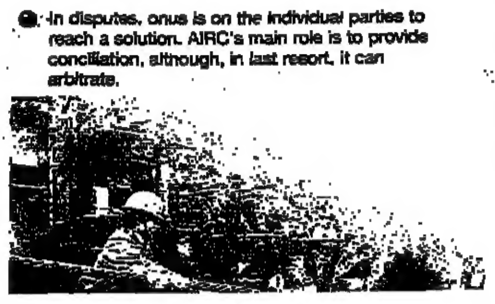


Opposition leader John Howard

"I give you the rock-hard guarantee – our policy will not cut your take-home pay"

Government policy

- Management and workers encouraged to negotiate pay and conditions at company level.
- Subsequent enterprise flexibility agreements (EFAs) scrutinised by the Australian Industrial Relations Commission (AIRC), applying a "no disadvantage" test which uses federal awards as the benchmark. Union representatives allowed to comment during this process, but with no right to veto agreements.
- Workers unable to negotiate wage rises through an enterprise agreement can receive "safety net" wage adjustments through the award system.
- In disputes, onus is on the individual parties to reach a solution. AIRC's main role is to provide conciliation, although, in last resort, it can arbitrate.



Opposition policy

- Management and workers encouraged to negotiate Australian Workplace Agreement (AWA) at company level. Existing enterprise flexibility agreements (EFAs) stay in force until their expiry. AWAs required to meet 10 community standards, including that take-home pay is no less than that prescribed under relevant award.
- All AWAs to be filed with Employment Advocate, a new body with nationwide offices. EA to "assist" employees with grievances and provide advice on legal rights. EA to take action on behalf of employees who believe they are disadvantaged compared to relevant award.
- Unions have no right to intervene unless asked, and cannot be party to signing of AWAs.
- Workers given choice of remaining with relevant award.
- Each AWA required to specify dispute resolution mechanism.
- Sanctions against secondary boycotts – industrial action against an employer who is not the workers' direct employer – to be toughened. Unfair dismissal provisions to be repealed and replaced by a "system which provides a fair go all round". Detail unspecified.

Keating puts republic issue on poll agenda

By Nikki Tait in Melbourne

Mr Paul Keating, Australia's prime minister, yesterday put the "republic" issue, the question of whether Australia should cut its constitutional ties to the British monarchy, on the federal election agenda, as he formally launched the Labor party's campaign in Melbourne.

He pledged that if Labor were re-elected on March 2, it would hold a plebiscite within 12 months of the first sitting of the new parliament, at which all Australians would be asked whether they wanted an Australian as their country's head of state. At present, the British monarch fills this role.

The vote would have no binding consequences, but if the result was affirmative, the government would draw up a constitutional amendment which could be put to a referendum. "We believe that Australia's head of state should be one of us," the prime minister declared yesterday to applause from party members.

Last year, Mr Keating promised to hold a referendum on the republic issue in 1998 or 1999, and debate has simmered ever since.

The prime minster's pledge came in a long reflective campaign speech. He made few new promises but recapped his government's record over the past three years, arguing Australia's future depended on a decisive push into the east Asian region and a grasp of the opportunities stemming from the "information revolution.

"If we hesitate, if we look back and say: well, there is a past on the one hand, and on the other there is a future, and the choice is not exclusive, let us drift – if we do that, we will lose the chance," he insisted.

Mr Keating acknowledged the past three years had "not translated automatically into material benefits, or a greater sense of security among many Australians". But he argued this was not a reason to throw out policies, but "for listening harder and doing better".

He warned: "If Mr Howard (leader of the coalition opposition) and his colleagues dither, if they drop the baton we have carried for the past four years, the race will be over, and Australia will be the loser".

Mr Howard claimed the republic initiative could lead to constitutional limbo if an affirmative plebiscite was followed by a referendum rejecting the proposed constitutional amendment.

ASIA-PACIFIC NEWS DIGEST

Manila blast weakens peso

The Philippine central bank spent more than $100m (£66.6m) yesterday to defend the peso in the wake of a bomb attack which hurt four people in Manila's central business district. Foreign exchange dealers said the peso, which lost 6.5 centavos to close at 26.22 to the dollar, would probably steady in the next two days. Three grenades were thrown from a car at Citibank towers and at Pilipinas Shell headquarters, the Anglo-Dutch oil company. The police had not identified those responsible. President Fidel Ramos, who was in a hotel adjacent to the buildings targeted by the bombers yesterday, dismissed fears the attack could mark the start of a wider terrorist campaign. *Edward Luce, Manila.*

Sri Lankan schools closed

Schools in Sri Lanka are to be shut indefinitely, amid fears of Tamil guerrilla attacks against students, the government said yesterday. The education ministry asked parents and teachers to work out security arrangements with local police before deciding to re-open. Defence officials said they feared the separatist Liberation Tigers of Tamil Eelam may target children to provoke a riot. Security forces destroyed one of the largest Tiger arms shipments in recent times in an operation off the island's north-eastern coast. The air force deployed six helicopter gun ships and ground-attack aircraft to sink a medium-sized Tiger cargo ship and five smaller boats used by the rebels to ferry weapons ashore. *Amal Jayasinghe, Colombo*

N Korean asylum seeker kills 3

An armed North Korean man yesterday broke into Russia's trade mission in Pyongyang, killing three guards before asking for political asylum, according to Russian news agencies. A Russian foreign ministry spokesman told Interfax the Moscow government would consider the request and negotiations with North Korea are continuing. The unidentified man, holed up on the embassy compound, has threatened suicide, the official Itar-Tass agency reported from Pyongyang. The man apparently scaled a 6ft fence and engaged North Korean guards in a gun fight. During the Soviet period, asylum-seekers were always returned to North Korea, then a close Kremlin ally in east Asia. *Matthew Kaminski, Moscow*

■ The Netherlands yesterday said it was unsure whether Ms Song Hye-rim, former wife of North Korea's leader Kim Jong-il was in the Netherlands, following reports in Seoul she was there pending defection to South Korea. *Reuter, Amsterdam*

Chinese population growth slows

The annual rate of increase of China's population between 1990 and 1995 stood at 12.1 per thousand, falling "markedly" over the previous five-year period, a report released yesterday said. The state statistical bureau report, based on a census of 1 per cent of the population in October 1995, put population of China at 1.2078bn, up by 74.1m or 65.4 per thousand since July 1990, when the last such survey was carried out. In 1995, some 20.63m people were born and 7.92m died in China, for respective birth and death rates of 17.12 per thousand and 6.57 per thousand, giving a net population increase of 12.71m people, down by 650,000 over 1994, the report said.

Since the early 1980s, China has implemented a draconian family planning policy to slow population growth, limiting the number of children allowed to urban couples to one, while restricting most rural couples to two. The survey found the so-called "one-child" policy had reduced the average family nationwide to 3.7, down by 0.3 since 1990. *AFP, Beijing*

Central banker tries to dampen expectations of further rate rises

Long-term credit rates up in Japan

By William Dawkins in Tokyo

Japanese companies' cost of long-term borrowing rose yesterday for the second time in two months, a consequence of the capital market's belief that a domestic economic recovery is under way.

Two long-term credit banks yesterday increased their prime long-term lending rate, for loans of more than a year's maturity to the best-quality corporate customers, by 0.2 of a percentage point to 3 per cent.

This followed a lead set a day earlier, by Industrial Bank of Japan, the leading long-term lender.

Mr Yasuo Matsushita, governor of the central bank, yesterday sought to dampen market expectations that the Bank of Japan would allow rates to rise further. He repeated his view that the economy is recovering, but plans to maintain an easy monetary policy to reinforce the upturn.

The BOJ's official discount rate, at which it lends to the banking system, has been held at 0.5 per cent since last September, the lowest seen in an industrialised country in post-war years.

Yesterday's increase in the long-term prime brings it back to the level of last September, when the long-term rate dropped in two stages to 2.6 per cent, from which it started to rise again last month.

In line with past practice, the IBJ has increased the rate whenever the gap between the coupon and market on its own five-year debentures exceeds 0.2 percentage points, pointing to a clear upward trend for long term rates.

Long-term rates have been inching up on the market's belief that the Bank of Japan will eventually tighten monetary policy once the recovery gathers force.

Another glimmer of recovery emerged yesterday, when the Japan Department Stores Association announced sales of Tokyo department stores rose in January, by 3.6 per cent from the same month last year, for the first time in 47 months.

Hopes grow for pact on Spratlys

By Peter Montagnon, Asia Editor, in London

Expectations that China will ratify the UN law of the sea convention this summer hold out further hopes for defusing conflicting claims to sovereignty over the Spratly Islands in the South China sea, according to a senior Indonesian diplomat who has been acting as mediator.

Mr Hashim Djalal, Indonesia's ambassador at large and an expert on international maritime law, said he expected China to ratify the convention before August 1. That date is the deadline for countries which wish to appoint judges to adjudicate disputes.

Once China ratifies the convention, a greater chance existed of its accepting arbitration on areas of dispute, Mr Djalal said in an interview. However, the process of settling the issue of sovereignty could take years, he said.

The Spratly Islands straddle important shipping lanes and are thought to sit on large deposits of hydrocarbons. They became a focus of international tension last year after China and the Philippines clashed over installations on Mischief Reef, 130 nautical miles north of Manila. They are claimed by China, Taiwan, Philippines, Vietnam, Malaysia and Brunei.

Mr Djalal said the atmosphere had improved since China agreed last July to use the law of the sea to help settle differences, though it also said at the time that its sovereignty claim was indisputable.

However, tensions between China and Taiwan are now impeding progress, because of China's reluctance to allow Taiwan a free role in informal contacts between claimants which are designed to calm tensions. "This has ramifications for other claimants in the Spratly area." Mr Djalal said.

Once the law of the sea was applied, it might be easier to asses exactly what China was claiming and on what basis, he said. At present Beijing's claim is based on dotted lines on maps. "We don't know the exact position of the lines, much less their exact meaning," he said.

China has now satisfied Indonesia it does not have claims to the Natuna gas field being developed by Indonesia's Pertamina and Exxon of the US. Indonesia is thus able to continue its role as mediator in the dispute and will hold a further informal workshop with the claimants later this year. Jakarta also hopes to involve several Asian countries in a multilateral study of bio-diversity in the South China Sea.

Opposition leader expects more 'harassment' during today's poll

Bangladesh PM warns on boycott

By Mark Nicholson in Dhaka

Bangladesh's Prime Minister Khaleda Zia yesterday warned that leaders of the three main opposition parties leading a boycott of today's general elections face arrest if they continue "illegal" street protests against the government.

Mrs Zia said in an interview she expected the poll to return a "parliamentary opposition" despite the boycott. She would immediately enter into talks with them to discuss "new proposals" to solve Bangladesh's 22-month political crisis.

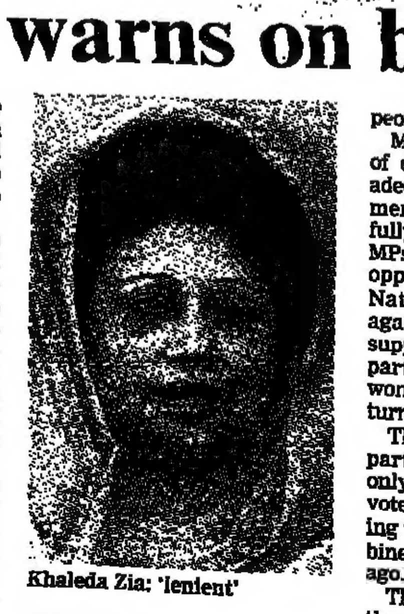
Mrs Zia's government "had been lenient" with leaders of the Awami League, the Jatiya party and the Jamaat-i-Islami, which resigned from parliament last year and called often-violent protest strikes against the government for its refusal to hold elections under a neutral interim administration.

"The law is very clear. I could have arrested all the leaders, because they have taken the law into their own hands," she declared. "I will try to persuade them not to do this, or the law will have to take its course."

Sheikh Hasina, leader of the Awami League, the biggest opposition party, has apparently rejected the offer to resume talks to resolve the crisis, and has warned that protests will continue. She said this week she expected the government to "harass and arrest our workers" after the poll.

The three opposition parties called a 48-hour strike from yesterday; the government, braced for violence across the country today, has deployed troops to support 200,000 security personnel guarding 20,000 polling stations.

Heavily armed soldiers yesterday stood at several sandbagged posts at main junctions in Dhaka, where the strike call had reduced traffic to a light stream of pedestrians and



Khaleda Zia: 'lenient'

cycle-rickshaws, and closed almost all shops and businesses.

Opposition leaders claim turnout today will be minimal, and the government says it expects gangs of opposition supporters to try to intimidate people into staying at home.

Mrs Zia suggested a turnout of even 10 per cent would be adequate to give her government legitimacy, adding she fully expected some opposition MPs to be elected. "Those that oppose the BNP [Bangladesh National Party] will vote against the BNP, many will support the small, independent parties," she said. The BNP won 30 per cent of a 56 per cent turnout in 1991 elections.

The biggest of the opposition parties standing today won only 0.3 per cent of the 1991 vote. The three parties boycotting today's election won a combined 54 per cent five years ago.

The government claims more than 1,200 independents and candidates from 41 parties will contest the 251 seats at stake in today's poll, including more than 90 dissident members of the BNP. The BNP, which has already won 49 seats uncontested, is fielding candidates in all constituencies.

هكذا امنه للأصل

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John J. Lawson, President, Business Aircraft Division, Canadair

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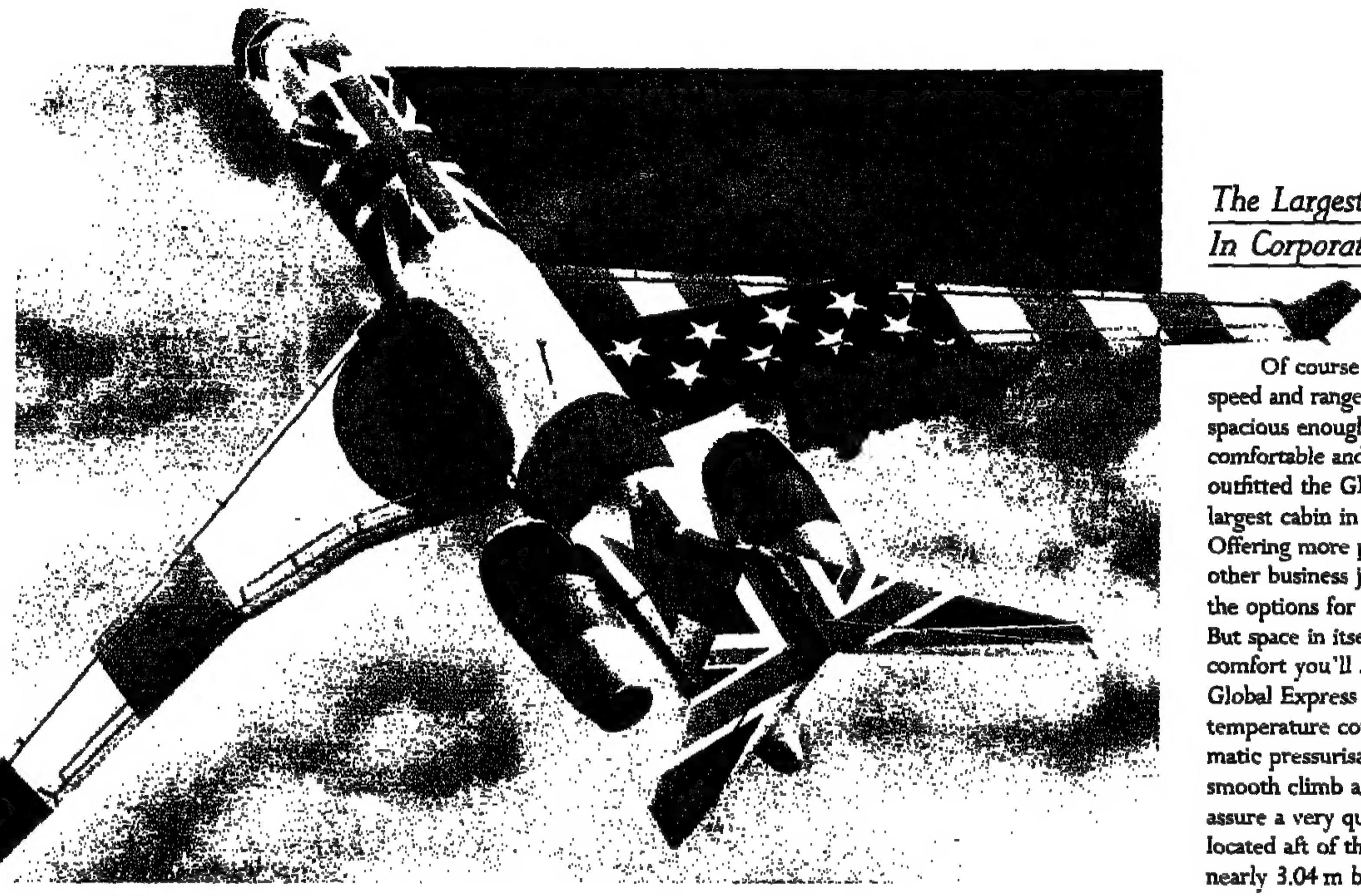

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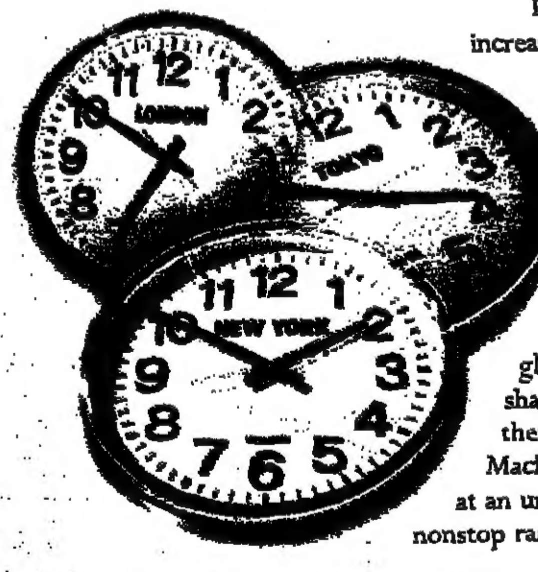

International traffic at many airports is also expected to increase substantially in coming years. To avoid crowded airports, we've selected Mitsubishi Heavy Industries to build an advanced wing incorporating leading edge slats, which will enable the Global Express to takeoff from shorter runways and reduce the distance and approach speed required for landing. Thus giving you greater access to smaller airports around the world.

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Revised forecast for inflation and fall in unemployment ease fears of slowdown in economy

Bank report hints at rate cut

By Robert Chote, Economics Editor

The Bank of England said yesterday that the government was back on course to hit its inflation target, reinforcing expectations of another cut in interest rates.

The Bank's comments, in its quarterly Inflation Report, came alongside official figures showing the biggest monthly drop in unemployment in January since the end of 1994 and the largest quarterly rise in factory employment for 17 years. These eased fears that the economy had weakened significantly at the turn of the year.

The Bank cut sharply its forecasts for price increases over most of the next two years. The report said that economic growth had been weaker last year than initial estimates suggested, improving the outlook for inflation.

It was now "a little more likely than not that inflation will be somewhat below 2.5 per cent in two years' time", the Bank predicted. The government's target is to achieve underlying inflation of 2.5 per cent or less from the spring of 1997. The report put the chances of hitting this target in two years at about 55 per cent.

"We think the chancellor will be delighted with the Bank's report," said Mr Andrew Cates, at Swiss investment bank UBS. "He will take comfort from the Bank's lower inflation forecast and will probably press for another quarter point base rate reduction at next month's monetary meeting."

The report predicted that any further slowdown in the economy was likely to be temporary as companies cleared shelves of unsold goods. Stronger consumer spending would lend the economy momentum later in the year.

However, the Bank cautioned that growth might turn out to be depressed for a more protracted period in 1996 if spending remained weak in UK export markets, especially France and Germany.

Yesterday's figures showed that, after adjusting for seasonal patterns, the number of people without work and claiming social security benefits fell by 29,300 in January to 2,205,800. This took the proportion of the workforce unemployed below 8 per cent for the first time in almost five years.

Economists also took cheer from figures showing that average earnings growth was stable at 3.25 per cent in the year to December, posing little inflationary threat.

Mr Mervyn King, the Bank's chief economist, said the forecast showed that the quarter-point cuts in base rates in December and January had been justified. But he warned that the report should not be seen as a "green light" for further significant rate cuts.

The Bank also argued that the recent cuts had made a further dent in the credibility of policy, increasing market expectations of inflation in the very long term.

Unemployment dropped to its lowest level for almost five years last month, official figures showed yesterday, writes Graham Bowley in London.

The number of people out of work in the UK and claiming benefit fell by a seasonally adjusted 29,300 to 2,205,800 in January, the Central Statistical Office said.

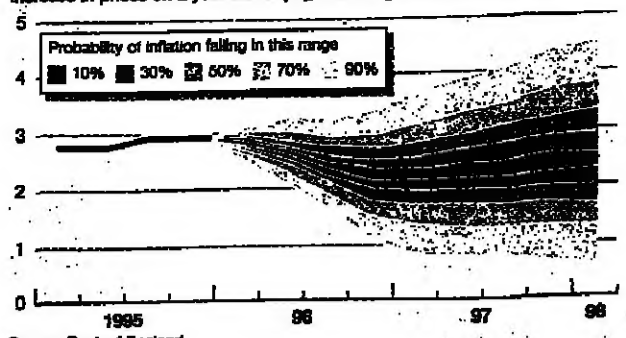
This was the 29th consecutive monthly decline and the largest drop for 13 months. Unemployment is now at its lowest level since April 1991 and represents 7.9 per cent of the workforce – the first time the unemployment rate has been below 8 per cent since May 1991.

The better than expected figures wrongfooted the City, where most economists had expected a smaller decline in the jobless total in line with recent signs of more subdued economic activity.

Long-term unemployment also dropped – the eighth consecutive monthly decline. The number of people unemployed for more than one year fell by 9,700 between October and January, and was 111,000 less than in January last year.

Underlying inflation projection

Increase in prices on a year earlier (%), excluding mortgage interest payments



Source: Bank of England

Troops return to Ulster in wake of bomb

By John Kampfner in London, Stewart Dalby in Belfast and Caroline Southey in Strasbourg

The government yesterday ordered a Yorkshire-based battalion of the Royal Irish Regiment back to Northern Ireland in its first military response to Friday's IRA bombing in east London.

The decision to despatch the 500-strong battalion emerged against a background of rising hostility from Ulster Unionists to British and Irish attempts to forge a common approach to all-party peace negotiations.

Mr David Trimble, the Ulster Unionist leader, said he was concerned at what he suspected was a plan to water down the proposals. He said he was seeking a meeting to discuss the elections with Mr John Major next week.

The prime minister has made clear that although favouring elections he is prepared to look at all options, including Dublin's plans for Bosnia-style "proximity talks" in an effort to salvage the peace process.

The government is drawing up a consultation paper on the elections. The first draft envisages a body of 90 representatives who would meet only in exceptional circumstances, and would delegate negotiators into smaller groups.

Mr Trimble said: "While delighted that the government is sticking to the concept of an elected body, we are concerned at what appear to be attempts by Dublin to water it down so as to render the process meaningless."

Mr Jacques Santer, president of the European Commission, told the European parliament that the EU would not block Ecu 300m aid to Northern Ireland. But, he said, "we cannot yield to terrorism".

The extra soldiers sent to Northern Ireland are due to arrive in the next 48 hours. They are expected to serve in the border counties of Armagh and Fermanagh, where IRA support is strongest.

The government carried out a phased withdrawal of soldiers to the mainland during the 18-month ceasefire. Three large units on six-month tours were removed, although ministers made clear they were on standby to return at short notice in the event of a crisis. The reinforcement will bring the troop level back to 17,000.

Several long-term security measures, suspended after the ceasefire, have been reintroduced in Northern Ireland, including an increase in patrols, roadblocks and the use of armoured vehicles.

Ministers and security chiefs say they are making contingency plans for further terrorist attacks on high-profile buildings or individuals.

Senior officials from both governments will meet today in an attempt to find common ground between the British election plan and Irish proposals for preparatory talks.

Mr Ian Paisley, leader of the Democratic Unionist party, said yesterday that he was "prepared to listen" to proposals for a referendum from Mr John Hume, leader of the mainly Catholic Social Democratic and Labour party, writes Caroline Southey in Strasbourg.

The two men met yesterday in Strasbourg, where they addressed members of the European Parliament.

Mr Paisley said he would "listen to what Mr Hume has to propose on the referendum question and to the questions he wants to put to me". In turn, he believed Mr Hume was prepared "to listen to my arguments". Mr Hume's proposal is for a referendum, in the north and south, on the use of violence and the question of all-party talks.

In an attempt to breathe new life into the peace process the two men said after their meeting that they had discussed the "overall political situation in the wake of the ending of the IRA ceasefire" and that they would meet for further talks next week.

UK NEWS DIGEST

Sainsbury set on Irish project

J. Sainsbury, the UK stores group, has insisted that its £100m investment for Northern Ireland would proceed unaltered. It announced yesterday that planning approval had been secured to develop the first two of seven new stores in the province.

Amid local concern that investments may be put on hold in the wake of Friday's IRA bomb attack on London's Docklands, Mr David Quarmby, Sainsbury's joint managing director, said the company's programme of development was unchanged. "We have a clear strategy, we have already invested several million pounds," he said. "It would take a lot to deflect us."

John Murray Brown, Dublin

Nuclear power stations criticised

An audit by government regulators of British Nuclear Fuels' Sellafield and Drigg sites found a marked variation in the quality of radioactive waste management at both sites, with a number of storage facilities deemed less than satisfactory.

The report, published today, of the audit carried out between September and December 1994 says no waste was considered to pose an immediate risk to workers or the public. But the audit team, from the Health and Safety Executive's Nuclear Installations Inspectorate and HM Inspectorate of Pollution, says decades of accumulation of radioactive waste have left much work to do to bring storage arrangements up to current standards.

Chris Tighe, Newcastle

Rail link details accepted

Final details of the route of the 67-mile high speed Channel tunnel rail link have been accepted by the UK government, clearing the way for the £3bn ($4.6bn) project to move on to the next stage of the parliamentary timetable, Mr John Watts, rail minister, said yesterday.

A decision on the winning consortium to build and operate the line – planned to open in 2003 – is due within the next few weeks.

Charles Batchelor, London

BT to charge premium on lines

British Telecommunications yesterday agreed to proposals from the industry watchdog which will give it the freedom to raise line rentals and introduce innovative pricing packages.

It has hinted, however, that it might wish to charge customers a monthly fee for renting a BT line simply to access other operators' services.

Mr Don Cruickshank, director-general of the Office of Telecommunications, makes it clear in a public letter that such a charge would be within the rules. He says his concern would be to ensure that such a charge was neither discriminatory or anti-competitive.

Alan Cane, London

Nadir aide on trial

Mrs Elizabeth Forsyth, a former aide of Mr Asil Nadir, the Polly Peck chairman, travelled to Switzerland to physically transfer almost £400,000 ($616,000) of stolen money in cash from one bank to another, an Old Bailey jury heard yesterday.

Her decision to do this rather than use the banks' normal electronic transfer systems showed Mrs Forsyth knew she was involved in a dishonest operation to launder stolen money, it was alleged. Mrs Forsyth denies two charges of handling £395,000 allegedly stolen from Polly Peck by Mr Nadir. The trial continues today.

John Mason, London

Company cars retain popularity

Predictions that 1994's company car taxation changes would lead to the demise of "perk" company cars, with their drivers opting for a cash allowance instead, have proved quite wrong.

The perk car is as popular as ever, accounting for about 40 per cent of the typical company's fleet.

Although an ever growing number of companies is offering a cash alternative, take-up rates remain low; typically less than 10 per cent.

John Griffiths, London

Blasted buildings still unsafe

The nine most badly damaged buildings from Friday's IRA blast in London's Docklands were still too unsafe for property owners and key holders to enter yesterday.

Only when the forensic teams have finished sifting through debris for clues to the bombers' identity will surveyors be allowed into the buildings to complete detailed structural surveys, Tower Hamlets Borough Council said last night.

Andrew Taylor, Construction Correspondent

Major 'unscathed' by Scott

By Jimmy Burns in London

Scott: ministers and civil servants will be criticised *Trevor Humphries*

Sir Richard Scott yesterday indicated that Mr John Major would emerge personally unscathed from his arms-to-Iraq report. He, in turn, received assurances from the prime minister that some of his recommendations would be implemented.

However, in an interview with the FT on the eve of publication, Sir Richard also made clear that his report would not necessary exonerate other ministers and civil servants.

The judge said that the inquiry had confirmed him in his conviction that government "should be prepared to share with the public, on whose behalf it governs, its concerns and aims and the reasons why important decisions are taken". He indicated it was a veiled reference to one of the central focuses of his report: lack of government accountability over its export policy to Iraq, and the excessive secrecy of Whitehall.

Sir Richard also indicated that ministers and officials would be criticised over their handling of the Matrix Churchill case. He described as a "superficial view" any suggestion that Whitehall stood to be exonerated because it had not been told the full facts of the machine tool company's involvement with the Iraqi nuclear programme.

Details of the involvement known as project K-1000, Sir Richard said, were in his report, but it could not form the basis for a "conclusion as to what happened. "I made it clear from an early stage in my inquiry that I would not allow it to degenerate into a retrial of the Matrix Churchill defendants," Sir Richard said.

While refusing to comment on other member of government Sir Richard Scott said he could "not have asked for more support" from Mr Major.

"I've had all the support that I've wanted from the prime minister from the commencement of this inquiry. He made it very clear that my terms of reference could be widened and gave me full powers to decide what was to be published. In all respects he responded to my questions both orally and in written form," Sir Richard said.

He was speaking after a meeting with Mr Major in which the judge had repeated his criticism of the way parliament had not been given more time to look at his report before publication.

The only concession offered by Mr Major however was to promise to implement some of the "less controversial" recommendations, and a general apology for the way the conduct of his inquiry had been attacked.

Sir Richard said the prime-minister met him to thank him for the report, although he didn't use the words "fair, accurate, and thorough".

"He gave me every indication that he expected some of my recommendations to be accepted... although he didn't tie himself to implementing them all," the judge said.

Doubts cast on costly MS drug

By Jenny Luesby, in London

The UK's National Health Service has budgeted an estimated £100m a year for an over-priced multiple sclerosis drug that may not work, reveals a report due out today.

The drug, Interferon beta-1b, marketed by the German company Schering as Betaferon, was launched in the UK in December, following approval by the European Commission the previous month.

At £53.70 a capsule, it costs about £10,000 a year per patient and has already prompted unusually strict NHS guidelines on prescription. The problem for the authorities is that no-one wishes to deny MS patients access to a drug that could help their condition.

But the Drug and Therapeutics Bulletin, produced by the Consumers' Association for doctors, has recommended that the drug should only be used under trial conditions.

The price "has been set too high", it says, and the clinical trials – criticised in the Lancet and neurological magazines – were inconclusive.

As a biological drug, Betaferon cannot be patented. The high price reflects Schering's desire to recoup research costs before competition emerges.

When approving the drug, the European Medicines Evaluation Agency said comprehensive information on its quality, safety and efficacy had not been provided. For this reason the approval was subject to an annual review. Schering said yesterday such reviews were required for "innovative" drugs. But the bulletin claims that drugs would normally be given "unfettered" approval.

Dr Joe Collier, editor of the bulletin, said: "The reticence of the European licensing authority has not been reflected in the promotion of the drug in the UK."

Schering said the drug was suitable for about one in eight of the 80,000 people in the UK with MS. It did not cure the condition or halt it but lead to fewer relapses.

It added that trials of the drug were not initially intended to answer all questions. For this reason, patients who dropped out were excluded from the analysis. The bulletin says this may have distorted the results.

It also points to the impossibility of running "blind" tests, since more than half of the patients taking Betaferon suffer strong side-effects.

Normally patients under trial do not know if they are taking the drug or a placebo, removing the possibility of psychosomatic improvement.

In addition, 20 per cent of relapses were self-reported. "If the self-reporting patients were removed from the calculations, the difference in the proportion of exacerbation-free subjects would not be statistically significant," says the bulletin.

Dr Collier said: "We are not persuaded that the drug is a good one."

Minister attacks aid budget cuts

By Michael Holman, Africa Editor

Britain's minister for overseas development, Baroness Chalker, yesterday criticised the government's decision to cut aid, but defended plans to concentrate assistance on fewer countries.

In a rare public expression of dissent over aid policy, Lady Chalker said: "I was more than disappointed in November that the aid budget was reduced when compared with our previous published plans."

The comment came in a speech to the Royal Institute of International Affairs in London, in which she set out the Overseas Development Administration's aims and priorities.

Last year's budget saw the department's spending cut from £2.23bn ($3.4bn) to £2.15bn.

Earlier in the day, Lady Chalker had said: "I hope we can restore this small reduction next year, because the people in those countries overseas need it very badly indeed."

In her speech Lady Chalker endorsed a recommendation that the department's resources should be concentrated on a limited number of countries "in order to enhance impact". But she added: "There is no question of abandoning countries where our support is still needed."

The proposal followed last year's fundamental expenditure review of the ODA, which assessed the effectiveness of the UK aid programme.

The minister also outlined what she said were the department's four new aims and priorities: to encourage sound development policies, efficient markets and good government; to help people achieve better education and health and to widen opportunities, especially for women; to enhance productive capacity and conserve the environment; and to promote international policies for sustainable development.

The decision to narrow the focus of aid, currently going to more than 160 countries, did not represent a dramatic change, said Lady Chalker, but "the continuation of a gradual process already under way".

"Last year some 60 per cent of bilateral resources went to the 20 largest recipients. More of our aid will be directed to the poorer countries in Africa and Asia." The amount of aid concentrated in the poorest countries is expected to rise to 73 per cent this year.

Although British aid agencies yesterday supported moves to focus aid on fewer countries, they attacked the cut in assistance.

FINANCIAL TIMES
COMPANIES & MARKETS

 Thursday February 15 1996

IN BRIEF

Shell shake-up hits head office jobs

Royal Dutch Shell, the Anglo-Dutch oil group, has shed almost a third of its head office jobs since it announced a shake-up of its corporate structure last April. The the number of jobs in its centralised service companies, based in London and Holland, has been cut to 2,800 from 3,900. Page 20

Lloyds Abbey Life seeks acquisition

Lloyds Abbey Life, the life assurer mainly owned by the Lloyds TSB Group, is joining the ranks of potential predators within the UK life assurance sector. Mr Stephen Maran (left), the company's chief executive, said that the group was looking to acquire a mutual insurer in order to broaden its product range and enhance its ability to sell its products through independent financial advisers. Page 20

Renault gives hint of lower profits
Renault, the state-controlled French vehicles group, has hinted that profits for 1995 may be below those for 1994 because of difficult trading conditions in the second half of last year. Page 16

Merrill Lynch to buy Spanish broker
Merrill Lynch, the US investment bank, is to absorb Spain's largest independent brokerage business, FG, in a Pta3.7bn ($29.7m) deal. Page 17

Profits setback weakens Holzmann
Philipp Holzmann, Germany's biggest construction group, said its net profits this year would be lower than last year's DM120m ($812m). This is unlikely to improve its chances of fending off a takeover bid from Hochtief, its smaller rival. Page 17

YPF hit by losses and lower sales
Lower natural gas sales and continued losses associated with a recent acquisition contributed to disappointing fourth-quarter results at YPF, the Argentine hydrocarbons company. Page 18

Canon soars 49% on strong demand
Strong demand for PC equipment helped Canon, the maker of printers, copiers and cameras, to achieve a 49 per cent increase in profits in the year to last December. Page 19

Hanson slides to three-year low
Hanson shares fell to a new three-year low after the UK industrial conglomerate announced its first downturn in underlying quarterly profits since 1993. Page 20

Williams unlocks Chinese market
Williams Holdings, the UK conglomerate, is to make its first investment in China through a £35m ($53m) joint venture to manufacture locks and security products. Page 20

Gold keeps its glister on strong demand
Demand for physical gold in 1996 will stay at record levels, according to the World Gold Council, the organisation financed by producers. Page 21

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch Rg	1050	+	17.3
Asko	775	+	10
Karstadt	558	+	6.3
Falls			
Ind Werke	273	-	6.5
Siemens	837.7	-	8.5
Lahmeyer	522	-	5
NEW YORK ($)			
Rises			
Disc Auto	24⅝	+	3⅛
Guardsman Prod	19⅝	+	1½
Helene Curtis	69¾	+	10¾
Falls			
Buenos Aires	18	-	2¼
Honeywell Inc	51⅛	-	2⅞
Huffaca	26⅝	-	1⅞
LONDON (Pence)			
Rises			
CPL Aromas	393	+	23
GWR Group	211	+	15
Oriel Grp	188	+	39
Superscape VR	600	+	61
Falls			
Fenchurch	125	-	19
Tay Homes	128	-	13
TORONTO (C$)			
Rises			
Arequipa Res	10⅞	+	⅜
Axcan Pharm	7⅛	+	⅝
Metalore Res	9¼	+	½
Falls			
Arbor Mem A	21	-	2
ID Biomedical	9¼	-	1
Teklogix Intl	13½	-	1⅛

PARIS (FFr)			
Rises			
Cetelem	1018	+	45
Fonc Lyon	451	+	8
Grp Andre	450	+	24
Falls			
BIC	552	-	19
Carrefour	3141	-	54
Legrand	886	-	13
TOKYO (Yen)			
Rises			
Central Glass	484	+	28
Mitsui Marine	797	+	29
NHK Spring	590	+	54
Yokogawa Elec	1200	+	80
Falls			
Fudo Const	975	-	35
S'tomo Realty	742	-	23
HONG KONG (HK$)			
Rises			
First Pacific	10.55	+	0.45
Shell El Mfg	4.95	+	0.35
Swire Pacific	69.0	+	2.25
Falls			
ASM Pacific	7.1	-	0.45
Golden Res Dev	1.0	-	0.13
IMC Hlds	4.1	-	0.22
BANGKOK (Baht)			
Rises			
KCE Elec	144.0	+	8.0
Thai Engine	98.0	+	7.0
Thai Fish	80.0	+	4.0
Falls			
Saha Pat Inf	56.0	-	4.0
Thai Asahi Gla	46.25	-	3.0
Thai Telephone	122.0	-	8.0

New York and Toronto prices at 12.30pm.

Unilever bids $770m for Helene Curtis

By Roderick Oram in London and Richard Tomkins in New York

Unilever, the Anglo-Dutch consumer goods company, overcame a critical strategic weakness yesterday with a $770m (£509m) agreed offer for Helene Curtis, a US maker of shampoos and other personal products.

A lack of hair care products was hampering Unilever in the US, where it is strong in areas such as skin care and toothpaste. Helene Curtis has about 20 per cent of the hair market with its Suave shampoo. It is first in volume terms and second in value.

Purchase of the Chicago-based company doubles Unilever's share of US personal products to 16 per cent. It is a fragmented market which is consolidating rapidly. L'Oréal, the French cosmetics group in which Nestlé has a stake, has bid $608m for Maybelline, a US cosmetics maker. Unilever, through brands such as Organics and Sunsilk, already has strong positions in European and Asian hair care. The US acquisition lifts it to second place in the world hair care market, behind L'Oréal, while Procter & Gamble slips back to third. Their respective shares are about 15 per cent, 13 per cent and 12 per cent.

At $70 a share, "the price is high in relation to historic earnings but there should be considerable synergies and the deal is strategically important", said Mr David Lang, an analyst with Henderson Crosthwaite, a London stockbroker.

Unilever's purchase seems assured because Mr Ronald Gidwitz, Helene Curtis's president, and partnerships controlling 29 per cent of the shares with 75 per cent of the voting rights had agreed to the terms. By lunchtime, the shares were up $10¾ to $69¾ in New York.

US antitrust intervention in the deal was unlikely, analysts said, given the minimal overlap between the companies' portfolios and the fragmented markets.

The acquisition is the latest in a burst of deals by Unilever after several quiet years. Other recent purchases include Diversy, a North American maker of industrial cleaning products, and Lyons' Irish tea operations. It is Unilever's largest deal in consumer products since it bought Elizabeth Arden, the cosmetics group, in 1989.

Helene Curtis is one of the biggest US makers of personal care products such as shampoos, conditioners, anti-perspirants and body lotions, but it has been struggling against tough competition at home and overseas. In its third quarter to November it dipped into after-tax losses of $7.2m, and warned that pre-tax profits for the year to February 1996 would slump from $36.2m in the previous year to $20m-$24m.

One reason for the poor performance has been cut-throat competition in Japan, one of Helene Curtis's most important overseas markets. In other overseas markets, the company has been fighting competition from Unilever and P&G. In the US, it has been suffering from weaker-than-expected sales of hair care products.

In its last full year, Helene Curtis had sales of $1.27bn, of which 36 per cent were outside the US. Apart from Japan, its biggest international markets are Canada, the UK, Australia, New Zealand, Italy and Scandinavia.

Other hair care brands in the US are Salon Selectives, which ranks number three in dollar value, and Finesse, at number six. Helene Curtis also has about 10 per cent of the US market for anti-perspirant deodorants, mainly through sales of its Degree brand.

Lex, Page 14

Mobil plans Ampolex takeover

By Nikki Tait in Sydney

Mobil, the US oil group, is planning a A$1.24bn ($939m) takeover bid for Ampolex, the Sydney-based energy group with oil and gas production assets.

However, Mobil's announcement yesterday brought a cool response from Ampolex directors, who said the bid had not been solicited and that they would convene a board meeting to discuss their formal response. They advised shareholders to take no action.

Mobil Exploration & Producing Australia (Mepa), a Mobil offshoot, said it had built up a "substantial" stake in the Australian company. It indicated that it would pitch its cash offer at A$4.25 a share for the ordinary shares, plus additional sums for the preference stock and convertible notes.

However, according to Ampolex, the bidder suggested the price would be reviewed at the conclusion of a due diligence examination. "This due diligence review would focus on commercial material that could have a material impact on valuation, as well as on significant corporate and legal matters," Ampolex quoted its suitor as saying.

Shares in the Australian oil and gas group, which closed on Tuesday night at A$3.17, surged to A$4.22 yesterday after a brief suspension.

Mobil, which operates two petroleum refineries in Australia and holds a 35 per cent interest in the Griffin, Chinook and Scindian oil fields off the North West Shelf in Western Australian waters, said Ampolex's resource base and producing assets would "contribute to Mobil's upstream goal of profitably growing production and reserves".

Mepa was formed in 1989 and has invested about A$430m in Australia. Oil production from the Griffin field complex started in 1994, and gas production later that year. Mepa has interests in nine exploration permits on the North West Shelf and Timor Sea.

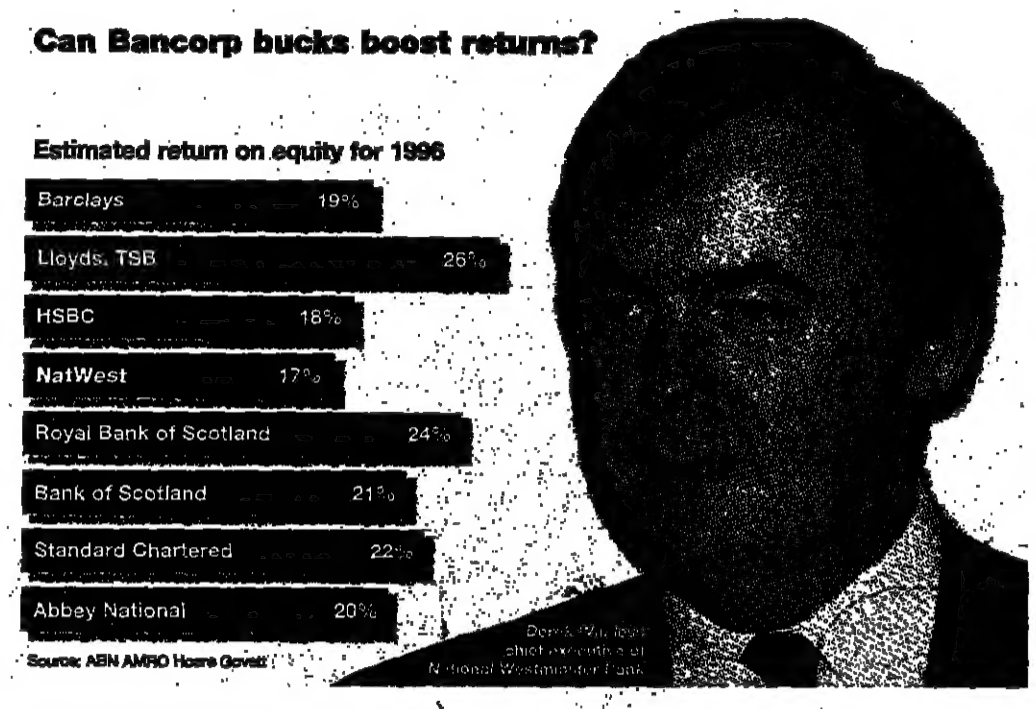
Ampolex is also focused on the North West Shelf, where its interests include a stake in the West Australian Petroleum consortium. It also has producing assets in the Americas and a stake in the Kutubu oil development in Papua New Guinea.

In the year to end-June, it saw a net loss of A$169.4m, compared with a profit of A$55.3m in the previous year, after incurring a A$242.4m abnormal pre-tax charge.

With £1bn at its disposal after the sale of its US arm, the UK bank has several options

NatWest ponders conundrum of cash in pocket

Can Bancorp bucks boost returns?



Derek Wanless: chief executive of National Westminster Bank

Ever since National Westminster Bank agreed to sell NatWest Bancorp, its US retail banking subsidiary for $3.56bn , all eyes have been watching to see if the money will burn a hole in the UK bank's pocket.

NatWest's results are due on Tuesday, and clues are eagerly awaited on possible acquisitions in life assurance, fund management or investment banking.

The group has ruled out buying a building society or a big US investment bank, and other suggestions, such as the oft-rumoured takeover of Standard Chartered, provoke mirth at NatWest's headquarters.

But that leaves open a range of possibilities - not least, the option of returning cash to shareholders via a share buy-back.

The sale of NatWest Bancorp two months ago was one of the most strongly debated decisions in the group for years. On its own, Bancorp was big enough to have ranked as a FT-SE 100 company and was expected to contribute 15-16 per cent of 1995 pre-tax profits.

But NatWest concluded that it could not keep Bancorp competitive when faced with the rapid consolidation of US banking.

"We would have had to spend and spend and spend to get there," says Lord Alexander, NatWest's chairman.

But NatWest has changed from the days when divisions would have been queueing up to spend the proceeds of the Bancorp sale, which frees up about £1bn ($1.5bn) in surplus capital.

A few years ago, NatWest was essentially a clearing bank with a handful of subsidiaries, many of which its top managers, mainly drawn from retail banking, did not fully understand. Today, Mr Derek Wanless, chief executive, has built a 172-strong group management that understands NatWest's various business.

The board has been slimmed from 31 members to 20, and yesterday NatWest announced four more departures with only one arrival, Professor Sue Birley.

That leaves the group centred on two businesses: NatWest UK, which encompasses its UK branch banking network, and NatWest Markets, bringing together its securities, investment banking and large corporate activities. These are supported by two smaller operations with powerful brand names: the Coutts private bank and the Lombard consumer finance house.

In branch banking, NatWest has a strong UK franchise, with about 30 per cent of the small business banking market and 20 per cent of current accounts. But NatWest executives acknowledge that they have ground to make up in sectors such as mortgages, insurance and long-term savings.

In investment banking, NatWest Markets has ambitions to become a "premier" global investment bank, though, again, executives admit they have gaps to fill, especially in advisory services and fund management.

"We are seeking to build a first-line player, because the financial rewards are reserved for the first-line players, and the risks are the same for everyone," says Mr Martin Owen, chief executive of the markets arm.

There have been stumbles along the way.

NatWest's decision to turn its sales force into independent financial advisers, rather than creating a tied life assurance arm, like the other big UK banks, has been reversed. The consequences, however, are still visible: NatWest Life was launched into a troubled market, and is less developed than it might otherwise have been. The group's fund management business has also suffered from not having captive retail funds.

Mr Wanless also acknowledges that relative slowness in developing a front-rank corporate finance house has resulted in NatWest having to run down its book of low-yielding corporate loans more slowly than, say, its rival Barclays Bank.

But NatWest has done some things more quickly than Barclays, notably withdrawing from unprofitable European retail banking ventures.

And many parts of the group show confidence in their ability to develop under their own steam without having to buy in businesses, even if that means costly investments which do not show a return for two or three years.

"We've certainly shown we're willing to build the business through the profit and loss account by investing in the business," Mr Wanless says.

Nevertheless, NatWest's ambitions are pitched at a level that will be difficult to achieve by internal growth alone.

"Organic growth is certainly going to take us some considerable way, but there are a number of areas where I think we are able to justify acquisitions - acquisitions which, first of all, fit the strategy we've outlined; secondly, are manageable; and finally, make economic sense," Mr Wanless says.

NatWest sets itself a long-term target return on equity across the group of 17.5 per cent. That may be less than most other UK banks are achieving, but it is still a stiff test against which to measure acquisitions.

As Lord Alexander concludes: "For us, the money has come preciously. We are going to try not to blow it."

George Graham

Bank of Montreal to buy stake in Mexican financial group

By Bernard Simon in Toronto and Daniel Dombey in Mexico City

Canada's Bank of Montreal (BMO) will today announce a deal to buy a minority stake in Grupo Financiero Bancomer, Mexico's second-biggest financial services group.

The deal, which will coincide with the release of Bancomer's 1995 earnings, will give BMO a sizeable foothold in Mexico, while providing Bancomer with access to the expertise and technology, especially on the retail side, of a large North American bank.

Sources close to Bancomer said that BMO would buy a stake of about 15 per cent for US$240m. Ms Laura Berdeja, a banking analyst for Santander Investment in Mexico City, said such terms would reflect current market values.

The purchase may be partially funded by BMO's substantial holdings of Brady bonds, which were issued to foreign lenders as part of the restructuring of Mexico's debt in the 1980s.

With assets of C$144bn (US$105bn), BMO is Canada's third-biggest bank.

It has a substantial exposure in the US through its ownership of Chicago's Harris Bancorp. More recently, it has sought a bigger presence in Mexico, the third member of the North American Free Trade Agreement. BMO, Harris and Bancomer already manage a Nafta mutual fund, investing in US, Canadian and Mexican companies.

Another Canadian bank, Bank of Nova Scotia, is currently in talks to raise its 8 per cent stake in Grupo Financiero Inverlat, which was taken over by Mexican bank regulators last year.

BNS is understood to have agreed to buy a controlling stake of between 51 per cent and 55 per cent in Inverlat, but details of the deal have yet to be announced.

Last May, the Spanish banking group Banco Bilbao Vizcaya bought 70 per cent of Grupo Financiero Probursa, a smaller Mexican banking group.

However, some Mexican officials have been disappointed that more foreign purchasers have not come forward to buy stakes in Mexico's troubled banking sector, which has been plagued by poor asset quality and undercapitalisation since the peso devaluation at the end of 1994.

PolyGram runs rule over MGM

By Alice Rawsthorn

PolyGram, the world's largest music group, plans to bid for MGM/UA, the Hollywood film studio, but "only if the price is right", according to Mr Alain Lévy, president.

Mr Lévy, who yesterday affirmed December's profit warning by announcing static net income of Fl 741m ($446m) for PolyGram in 1995, described MGM as a "great strategic fit" with his group's five-year-old filmed entertainment division.

"Yes, we're interested in MGM," he said. "But we haven't seen the numbers yet and it's a question of value. We'd have to be sure that we'd get a good return on our investment."

MGM, one of the most famous names in Hollywood which includes the MGM and United Artists studios, a film library and television production company, could come up for sale as early as this spring.

It was taken over by Crédit Lyonnais, the state-controlled French bank, in a 1992 bankruptcy case.

However, PolyGram could face fierce competition in an auction for MGM, which is estimated to be worth about $2bn, from other contenders such as Bertelsmann, the German media group, and Chargeurs, the French industrial concern.

MGM aside, Mr Lévy said PolyGram was committed to expanding its existing film interests. So far it has invested $600m in the film division, which produced several hits including Usual Suspects and Shallow Grave last year, but remained in the red with a net loss of Fl 68m (Fl 42m).

The increased loss from the film division contributed to the group's sluggish performance in 1995 when operating income mustered modest growth to Fl 1.08bn (Fl 1.07bn) on net sales of Fl 8.8bn (Fl 8.6bn).

The board proposed raising the dividend to Fl 0.95 (Fl 0.85) on earnings per share of Fl 4.12 (Fl 4.10).

PolyGram's shares rose by Fl 0.40 to close at Fl 96.10.

Mr Lévy described the 1996 release schedule as "much stronger", with new albums due from U2, Bryan Adams and the Cranberries.

He also hoped for an improved performance from the film division. Its releases include Dead Man Walking, which has received four Oscar nominations, and the critically acclaimed Trainspotting.

EUROPEAN NEWS DIGEST

Amer declines 60% as golf sales slide

Amer, the Finnish sporting goods manufacturer, saw 1995 profit slide more than 60 per cent as its Wilson brand was hit by lower golf equipment sales and its Atomic skis met tough competition. Amer, which had warned in July of lower figures, said profit after tax but before extraordinaries fell to FM75m ($16.3m) from FM220m. The company proposed an unchanged dividend of FM3.

The group said negotiations were continuing between the holders of its controlling K shares and an anonymous bidder, or bidders, for the stock.

Operating profit fell to FM263m from FM430m in 1994. Wilson made up FM75m, a fall of 71 per cent from 1994's contribution. Group net sales slipped to FM6.17bn from FM6.93bn. Amer did not make any forecast for 1996 profit, but said it expected net sales this year to exceed FM5bn.

Sales volumes of Wilson golf equipment fell, and Amer said its golf club business had also been hit by a shift in demand towards lower-priced products. Atomic fell short of its targets because of tough price competition in the ski market, and one-off costs related to the reorganisation of production. While net sales of rollerblade skates rose sharply, profitability was hampered by production problems caused by a surge in demand and the markka's strength relative to the dollar.

Reuter, Helsinki

Kredietbank buys into Poland

Kredietbank of Belgium is acquiring a 10 per cent stake in Poland's listed Kredyt Bank as part of its central European strategy, which will involve further purchases of minority holdings in banks in Hungary, Slovakia and Slovenia. The investment is the first by a Belgian bank in Poland. Kredietbank last year bought a minority stake in Bank Hana in the Czech Republic.

The Polish purchase, costing around $5m, will be made through a new share issue by Kredyt Bank, which hopes to raise up to $18m from foreign and local investors. In April it will make a further share issue reserved for the European Bank for Reconstruction and Development, which will give the London-based bank 10 per cent of Kredyt Bank's overall capital.

The combined share issues should lift Kredyt Bank's overall capital to around 200m zlotys ($78.6m), putting it into the first rank of Poland's medium-sized private banks. Last year, Kredyt Bank reported net profits of 10.3m zlotys.

Christopher Bobinski, Warsaw

Surge at Hafslund Nycomed

Hafslund Nycomed, the Norwegian pharmaceuticals and energy group, posted its best-ever result with pre-tax profits rising more than 54 per cent. Profits before tax jumped to NKr2.03bn ($314.7m) for the year to December 31 from NKr1.31bn last time. Operating profit before research and development costs was NKr3.11bn, against NKr2.43bn.

Before R&D costs, operating profit in the main medical imaging division rose to NKr2.4bn from NKr1.7bn. Pharmaceutical division operating profit rose to NKr623m from NKr616m. The energy division lifted operating profits to NKr272m from NKr234m. Net losses on currency transactions fell to NKr29m from NKr40m, while returns on its securities portfolio rose to NKr156m from NKr12m. The company said an agreement for marketing of Ivax's asthma treatments in Europe was signed yesterday and goes into effect immediately.

Agencies, Oslo

CarnaudMetalbox cautious

CarnaudMetalbox, the French packaging group, said sales fell to FFr24.61bn ($4.8bn) in 1995 from FFr24.89bn a year earlier. However, on a comparable exchange rate basis, sales rose 4.2 per cent, the group said.

In the fourth quarter alone, sales were up 4.8 per cent at FFr5.6bn on a comparable exchange rate basis, largely thanks to volume growth in European metal packaging. The company said that second-half operating results would be "significantly affected" by pressure on prices, which remained intense at the end of the year.

AFX News, Paris

Changes at Rhône-Poulenc US

Mr Peter Neff, president and chief executive officer of Rhône-Poulenc Inc, will retire at the end of 1996. The company said Mr David Eckert, president of the group's North American chemicals unit, would assume additional responsibilities as Rhône-Poulenc Inc's president and US country representative for the parent company, effective January 1 1997. The company did not name Mr Neff's successor as chief executive.

Reuter, Princeton

Deutsche Babcock chief finds turnround elusive

Heyo Schmiedeknecht has little to show for years of costly restructuring, writes Michael Lindemann

If the name alone is anything to go by, Mr Heyo Schmiedeknecht, Deutsche Babcock chief executive, would seem to have the best possible qualifications for a job in heavy engineering: *Schmiede* means smithy or forge, and *Knecht* can be loosely translated as labourer.

The problem is that Mr Schmiedeknecht has been labouring to drag Deutsche Babcock, one of Germany's biggest engineering groups, back into lasting profitability for almost six years now and has little to show for it.

Last year the group paid a DM5 dividend – the first since 1988 – and Mr Schmiedeknecht predicted the group was finally pulling out of the trough, forecasting operating profits of DM102m ($69m) for the year ending last September. Among sections of the German press, Mr Schmiedeknecht was fêted as a turnround wizard.

In fact, operating profits were DM83m last year, the hoped-for dividend has been cancelled, and a sullen Mr Schmiedeknecht said another 3,000 jobs would have to go as part of a restructuring programme dubbed Best.

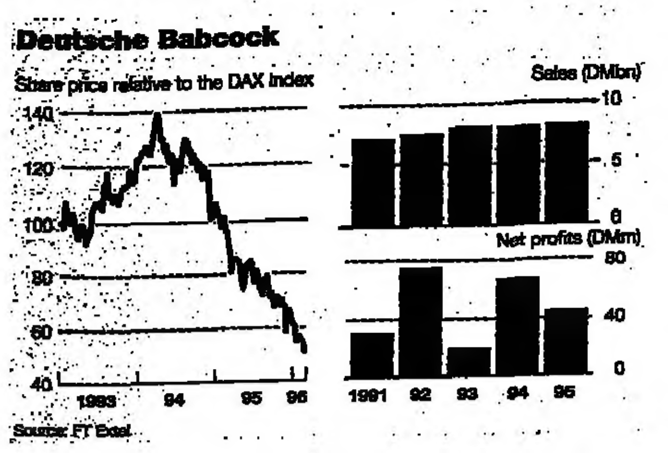
Having already spent DM450m on restructuring in the past three years, Mr Schmiedeknecht now says he needs at least another DM70m to fund this year's overhaul, which will involve the disposal of business worth about DM1.6bn in sales terms.

However, the forecasts he made this week at the results meeting were so dismal that observers are wondering whether he will find any buyers at all for some of his biggest lossmakers, which he estimates are worth DM600m in sales terms. "He talked his own companies down to such an extent that it is difficult to see how he will be able to find buyers for some of them," one analyst said.

Should he fail to find buyers, Mr Schmiedeknecht has said he will close down the businesses concerned, a process likely to cost more than DM70m.

Admittedly, Mr Schmiedeknecht's task was never going to be easy.

When he took over as chairman in 1990, most of Deutsche Babcock's business came from building power stations for the German market, where it



enjoyed a virtual monopoly. It has been able to benefit from its strengths in that market in recent years, winning a DM1.2bn contract for a power station in eastern Germany late last year and another one worth DM280m more recently.

However, the market is clearly one that is drying up, mainly because most of the eastern German power stations have now been modernised.

Aware of the slowdown in Germany, Mr Schmiedeknecht and his lieutenants have tried to generate more business abroad with joint ventures in India, China, Romania and purchases in Switzerland.

For some of the subsidiaries – Flender, Balcke-Dürr, Babcock-BSH or Babcock Lentjes Kraftwerkstechnik – the new strategy shows some sign of working.

In fact Schumag, the precision engineering company which Mr Schmiedeknecht likes to refer to as the group's "pearl", last year generated operating profits of DM34m on sales of about DM200m. Deutsche Babcock altogether managed operating profits of DM83m on sales of DM8.3bn.

It is figures like these which lead analysts and others to suggest that Deutsche Babcock group needs to be pulled apart and the subsidiaries, many of which are already listed on the stock exchange, be allowed to get on with core activities.

Another solution which has been talked about in recent months – not for the first time, admittedly – is the sale of a larger stake to another industrial group.

As Mr Schmiedeknecht himself admitted on Tuesday, a candidate has been sighted in the form of Philipp Holzmann, Germany's largest construction group which is itself battling to fend off a takeover from Hochtief, its smaller rival.

Executives close to the talks say that Mr Lothar Mayer, Holzmann's chief executive, suggested to his supervisory board in December that the Frankfurt-based group take a stake of about 20 per cent in Deutsche Babcock.

The link-up would make sense because there are obvious synergies between Babcock Energie and the Holzmann subsidiary Steinmüller: together, they are Germany's biggest boiler makers.

However, the Holzmann supervisory board is reported to have told Mr Mayer that Holzmann would need a majority in Deutsche Babcock.

In line with most other German companies, Holzmann said it did not comment on supervisory meetings, but executives say Mr Mayer was sent away to see where he could find the shares, about 85 per cent of which are held by private investors.

The only major shareholder is Westdeutsche Landesbank, the Düsseldorf-based group which works closely with the Social Democrat government in the Ruhr. It took a 10 per cent stake four years ago in order, as the company put it, "to accompany" Deutsche Babcock through its difficulties.

Given that those difficulties show very little sign of ending, and the German engineering industry has predicted meagre growth rates for this year, WestLB and several other investors must be wondering how much longer they will hold on to their shares. "The whole thing is still on a knife edge," said one executive who knows Deutsche Babcock well.

Holzmann results, facing page

Renault hints at earnings downturn

By Haig Simonian, Motor Industry Correspondent

Renault, the state-controlled French vehicles group, has hinted that profits for 1995 may be below those for 1994 because of difficult trading conditions in the second half of last year.

Renault's full financial results will not be published until March 19. However, releasing its 1995 sales figures yesterday, the company said various "negative elements" in its mainstream cars business, including "very intense price competition", would have a "direct impact" on its results. The cars division accounted for 74 per cent of sales last year.

Group sales rose by 1.8 per cent to FFr184.1bn ($36.17bn) from an adjusted FFr180.9bn in 1994. The bulk of the increase came from RVI, the commercial vehicles division, which raised sales by 13.4 per cent to FFr32.9bn on the back of continuing growth in commercial vehicles in Europe and an improved showing by the Mack Trucks subsidiary in the US.

Turnover in cars, by contrast, fell 0.8 per cent to FFr136bn because of the weak European new car market and particular difficulties in France in the second half.

Demand for new cars slumped following the expiry of a government incentive scheme to stimulate new car sales in July. A replacement scheme only came into effect in October. Registrations were particularly affected in the final weeks of the year by the wave of industrial unrest which hit France, with the new car market falling by 19 per cent in December compared with the same month the previous year. Renault was also affected by the replacement of the popular R19 model with the new Mégane range.

The likely impact on group profits of the more difficult trading conditions in the second half of last year could form an additional barrier to the French government's plans to sell a further stake in the group's shares to the public. The deal has already had to be postponed because of the fall in Renault's shares below their issue price.

- PSA Peugeot-Citroën, the other big French cars group, said sales fell by 1.2 per cent to FFr164.2bn last year from FFr166.2bn in 1994.

The company confirmed the sharp contraction in the French car market in the last quarter of 1994, with an 11.4 per cent fall in total sales. Domestic sales of Peugeot-Citroën cars dropped by 7.1 per cent in the same period. The company warned that the drop in sales and production, combined with the impact of the strike wave in December, "would have a direct affect on net profits".

Revamp pays off as Uralita posts profit

By Tom Burns in Madrid

Uralita, the leading producer of building materials in Spain which has core shareholder backing from foreign institutions, has reported a profit turnround. It recorded attributable net income of Pta6.21bn ($50m) last year, following a sustained period of losses and then flat results in 1994.

The recovery, in line with market expectations, was built on a wide-ranging restructuring. It included the sale, through a Madrid market listing a year ago, of 51 per cent of Aragonesas, its wholly-owned chemical subsidiary.

Uralita also saw strong demand for its core products – pipes, roof tiles and insulation – in the first half of last year.

In one of its first moves since returning to the black, Uralita is to begin building a construction materials plant in Germany, near Leipzig, this year. The project, which will involve an overall investment of nearly Pta9bn, represents Uralita's first attempt to establish a production base outside Spain and Portugal.

Uralita says it has no plans at present to reduce its Aragonesas shareholding, but chairman Mr Juan Antonio García Diez said the long-term aim was to cut its holding in the chemicals company from 49 per cent to between 20 and 25 per cent.

He said he was looking for an industrial buyer for Aragonesas, but would also consider placing Uralita's holding in Aragonesas on the market once prices for PVC, which accounts for 45 per cent of Aragonesas' business, had recovered.

Mr García Diez said the outlook for 1996 was uncertain because an economic slowdown in Germany would affect Spanish growth, and because the volume of public investment in Spain remained unclear in the run-up to general elections scheduled for March 3.

He said that Uralita, which suffered a weak final quarter last year, would repeat the 1995 results this year if demand remained slack. However,it could show an improvement if economic growth picked up in the second half of this year.

Uralita's cash flow in 1995, together with the capital gains realised by the Aragonesas disposal, enabled the group to cut its debt by nearly 50 per cent, to Pta15bn, and make a payout representing 35 per cent of net results. This will be the first dividend paid by the group since 1991.

Uralita's investment programme, which includes three new plants in Spain and one in Portugal – in addition to its German project – totalled Pta8bn in 1995 and will increase to Pta10bn this year.

Merita ends four years of big losses

By Christopher Brown-Humes in Stockholm

Merita, the Finnish banking group formed last year from the merger of Kansallis-Osake-Pankki and Unitas, yesterday announced a 1995 profit of FM491m ($107m) after four years of heavy losses.

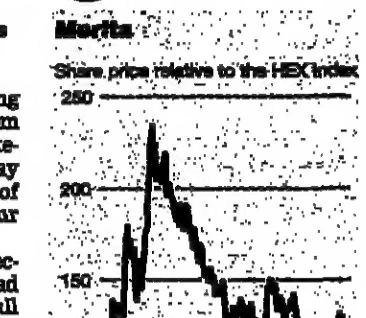
Mr Vesa Vainio, chief executive, said the turnround had been driven by a dramatic fall in credit write-offs. "We promised a small profit for 1995," Mr Vainio stated, although such a feat would not have been possible without FM845m of capital gains from equity sales.

KOP and Unitas racked up combined losses of FM16.4bn between 1991 and 1994 during severe economic recession.

Mr Vainio said the group expected a further improvement in in 1996, but warned credit losses would fall at a slower pace this year. It might be 1998 before profits reached an acceptable level.

"We still have deep problems in the Finnish domestic economy, particularly in construction, trade and hotels and restaurants," he stated. He added that Merita was "somewhat ahead of other Finnish banking groups" in tackling high costs because of the scope for synergies created by the merger.

Merita cut more than 3,000 jobs during 1995, ending the year with 15,500 employees, against a total of 18,600 at KOP and Unitas at the start of the year. It hopes to get the total down to around 13,300 by the



end of 1996 after closing 275 branches over two years.

The merger has made Merita by far the largest Finnish financial services group, with assets of around FM300bn, and it has retained its market shares in both the retail and corporate segments. It put its share of total markka lending to the public at 43.8 per cent at the year-end, up half a percentage point from a year earlier.

Merita said its 1995 figures comprised Unitas results for the full year and KOP figures from April 1995. Loan demand was weak but funding costs had fallen due to lower interest rates and higher deposits.

The group wrote down FM62m – equalling 20 per cent of its total exposure – of its loans to Eurotunnel, the Anglo-French operator of the Channel Tunnel which has suspended interest payments on its £8bn ($12.3bn) debt.

INTERNATIONAL COMPANIES AND FINANCE

Merrill Lynch to pay Pta3.7bn for Spanish broker

By David White and Tom Burns in Madrid

Merrill Lynch, the US investment bank, is to absorb Spain's largest independent brokerage business, FG, in a Pta3.7bn ($29.7m) deal concluded yesterday.

The acquisition, by far the biggest of its kind by an international institution in Spain, is part of a strategy by Merrill Lynch to build up its presence on European markets, and follows its takeover of Smith New Court in the UK last year.

It will introduce strong competition to the big Spanish banks which currently dominate the domestic broking business.

FG ranks fourth in the market behind the firms owned by Banco Bilbao Vizcaya, Banco Santander and Argentaria, and has a market share of about 7 per cent on the Madrid stock market.

The deal, which followed several months of talks, covers the whole of FG's broker-dealer, corporate finance and asset management businesses. The FG corporate finance operation is to be closed down, with the other activities becoming part of Merrill Lynch's Spanish unit.

Mr Claudio Aguirre, president of Merrill Lynch España, said the plan was to transform the unit into a branch once Spanish legislation was introduced in line with the European Union directive on financial markets, which came into force this year.

The US bank is to take on all of FG's 130-strong workforce. Mr Aguirre said its future activity in Spain would concentrate on three areas: investment banking including the brokerage business; asset management; and its long-standing private banking operation.

The purchase price includes Pta2.5bn for the main broking business after FG reduces the unit's capital from Pta10bn to Pta1bn, and Pta700m for the asset management business, which has a capital of Pta300m

Mr Francisco González, FG chairman, who described the deal as a "historic opportunity for Spain", will become a senior adviser to Merrill Lynch International. He and other managers have up to now controlled 56 per cent of FG, with the remainder in the hands of savings banks and institutional investors.

Merrill Lynch's chief interest is in FG's strong position in the asset management sector at a time when domestic investment and pension funds are set to grow strongly. FG's client base will also complement Merrill Lynch's important role in Spanish privatisations by allowing the US bank access to the flow of domestic funds.

The US bank said its plans for building up its presence in other European markets would not necessarily involve acquisitions of local firms.

Profits downturn seen at Holzmann

By Michael Lindemann in Bonn

Philipp Holzmann, Germany's biggest construction group, yesterday said its net profits this year would be lower than the DM120m ($81.2m) reported last year, a setback which is unlikely to improve its chances of fending off a takeover bid from Hochtief, its smaller rival.

The group incurred operating losses of up to DM100m at two building sites in Munich and Dessau in eastern Germany, the company said, and had had to make provisions for lower expected rental costs on construction developments.

Mr Lothar Mayer, chief executive, said the group would pay a "good dividend" to follow a payment of DM13.5 last year, but would only release more comprehensive results in May.

As part of what is seen as a counter to the Hochtief bid, Mr Mayer confirmed Holzmann was in talks with Deutsche Babcock, the ailing German engineering group. He said the two companies had conducted one round of talks.

Asked about the size of a possible stake in Deutsche Babcock, Mr Mayer said that Holzmann would want "as much as possible".

Holzmann's construction output, the industry's equivalent of turnover, rose 7.1 per cent to DM14bn while new orders rose around 10 per cent to DM15.5bn.

The group reported losses on its road building activities. The output of its road and quarrying division, which makes up about 12 per cent of total sales, fell by 5 per cent. Output in the energy and environmental technology division – 16 per cent of group sales – rose 18 per cent and profits were higher than last year.

Mr Mayer said that, in line with other leading construction companies, the industry would only accede to government plans to keep foreign labourers out of the German construction market if a future minimum wage was kept as low as possible.

The government and the unions have been pressing for a minimum wage of about DM20 per hour but Mr Mayer said the industry would only accept a deal worth around DM15. Any other solutions would damage German industry by shielding it from growing European competition.

EUROPEAN NEWS DIGEST

Compagnie Bancaire ahead 12% for year

Compagnie Bancaire, the French financial services group, yesterday announced a 12 per cent increase in net profits in 1995. The group, 47 per cent owned by Paribas, the French financial services company, said net profits had been FFr602m ($118m) while the total volume of lending rose 7 per cent to FFr65.1bn.

The results came amid renewed speculation about the health of the French financial sector, after Paribas denied reports in the French press that it faced a huge 1995 loss. Paribas indicated in its most recent half-yearly statement, issued last September, that net profits for the first half had been halved. However, a French newspaper yesterday claimed the group could post a loss of FFr3.5bn to FFr4bn in its annual results to be published this month. Paribas insisted the reports were "sheer speculation", and said its results for 1995 had not yet been legally approved or finalised.

Compagnie Bancaire's figures yesterday showed that the group benefited from a steady performance in overseas and domestic markets, although the housing-related sector showed particular weakness. In France lending by its subsidiary Cetelem, the consumer credit group, rose by 13 per cent. At the French UCB group, another subsidiary, housing loans rose 2 per cent for the year as a whole, despite a 16 per cent fall in the first half. In overseas markets, the volume of lending rose 9 per cent in the year. *Gillian Tett, Paris*

Hugo Boss rises to DM58m

Hugo Boss, the German men's clothing company which has been updating its image and striving to appeal to a wider range of customers, announced an 11 per cent rise in net profits last year to DM58m ($39.2m), and is raising the dividend payout.

Controlled by the Marzotto textile and clothing group, Hugo Boss has recently expanded both its sales and production abroad. The company said it managed to build up its position in international markets, despite difficult economic conditions and the strong D-Mark. Profits benefited from improved earnings from the US, where Boss has undergone a costly restructuring, and a 5 per cent rise in turnover to DM901m.

The dividend is being raised from DM34 a share to DM41 on the voting shares (mostly owned by Marzotto) and from DM35.50 to DM42.50 on the preferred stock. Analysts forecast further sales and profit increases for 1996 as business expands in the US, south-east Asia and eastern Europe. The company, selling under the names of Boss (its main range), Hugo Boss (for young, trend-conscious buyers) and Baldessarini (higher-priced, exclusive designs), has cut costs by shifting more production abroad, especially to eastern Europe. *Andrew Fisher, Frankfurt*

Campbell Soup up 12% in term

Good soup volumes in the US and overseas helped Campbell Soup, the US food company, report record net earnings of $258m for its fiscal second quarter to January 28 – up 12 per cent from $231m a year earlier, the company reported yesterday. Soup volumes were up 4.5 per cent in the US and 14 per cent internationally, with particularly strong gains in the UK, Hong Kong, Canada and Japan.

The company said US operating profits climbed 18 per cent to $320m, driven by soup and the $1bn acquisition of Pace Foods, the Mexican-style sauce manufacturer, at the end of 1994. The bakery and confectionery division increased operating profits by 7 per cent to $67m. The international division increased operating profits by 6 per cent to $42m, boosted by the acquisition of Homepride cooking sauces in the UK and the Cheong Chan soup and sauce business in south-east Asia. *Richard Tomkins, New York*

Gulf Canada plans offerings

Gulf Canada Resources, the Canada-based international oil and gas group, plans a primary and two secondary stock offerings together worth nearly C$350m (US$255m) which will bring the total public interest to 53 per cent from 31 per cent.

Gulf will first make a public offer of 22m treasury shares worth about C$130m at the present share price of C$6 in the market. Next a secondary offer will be made of 22.8m shares now held by Gulf's senior creditors. They received the shares as a result of the collapse of the Reichmann property and resource empire in 1992-93.

Then Torch Energy Advisors, of Houston, will offer up to 13.2m Gulf shares, so reducing its equity interest from 25 per cent to 17 per cent.

Gulf has come through a restructuring and is now in a significant international development phase. It almost broke even in 1995 on revenues of C$718m. It participates in a US$600m gas development project in Sumatra, Indonesia. Its production is in Canada and Indonesia and total capital spending this year will exceed C$400m.

Gulf will receive the proceeds from the treasury share issue only in the current series of financings. *Robert Gibbens, Montreal*

Six groups vie for Czech phone stake

By Vincent Boland in Prague

Six bids were lodged yesterday in a hotly-contested competition for a 49 per cent stake in a GSM digital mobile telephone licence being offered by the Czech government.

The economy ministry, which has run a tender for the stake in the licence, had set the close of business yesterday as the deadline for receiving bids. The tender has attracted strong interest from European operators, some of which have linked with local companies.

The bidders are France Télécom with Telesystem of Canada; DeTeMobil, part of Deutsche Telekom, with Stet of Italy and three local groups; TeleDanmark with Telenor of Norway; Airtouch of the US with a local partner; Telecom Finland with RWE Telliance of Germany; and Mannesmann MobilCom, part of the German industrial group, with a local partner.

A 51 per cent stake in the licence – one of two to be awarded by the government – has been granted to Ceské Radiokomunikace, which operates radio and TV signal transmission services in the Czech Republic. The tender is to find an experienced international GSM operator to develop nationwide mobile telephone services. The second licence has been set aside for EuroTel, a joint venture between the state operator SPT Telecom and Bell Atlantic and US West. EuroTel already offers mobile telephone services using NMT analogue technology.

The winner of the tender is expected to be announced in late March. Granting of the two licences will introduce competition in mobile telephony to the Czech market.

The two licences cost about $15m each, but the cost of developing nationwide services is put at several hundred million dollars.

● Malev, the Hungarian national carrier, and Alitalia have reached preliminary agreement over a disputed $8.5m debt left over from the Hungarian airline's privatisation three years ago, Hungarian privatisation officials said yesterday, writes Virginia Marsh in Budapest.

Alitalia and Simest, an Italian state investment agency, agreed to buy stakes of 30 per cent and 5 per cent respectively for a combined $77m in late 1992 but held back $8.5m, claiming Hungary had overvalued Malev's Soviet-made Tupolev aircraft.

Under the agreement, yet to be approved by the boards of Malev or Alitalia, the Italians are expected to pay less than half of the outstanding $8.5m.

AMERICAS NEWS DIGEST

TWA in black at operating level

Trans World Airlines, the US carrier that emerged from Chapter 11 bankruptcy protection last year for the second time in two years, ended 1995 with heavily reduced losses and made its first annual operating profit since 1989, the company reported yesterday. In the fourth quarter the company cut net losses before extraordinary items and preferred stock dividends from $245.2m to $31.3m. For the full year, net losses on the same basis were down from $433.8m to $371.9m.

TWA has benefited from the sharp upturn in the domestic air travel industry. Rising passenger numbers and cuts in capacity have driven up load factors and fares, and airlines have also been working to reduce costs. TWA's full-year revenues fell by 2.7 per cent to $3.3bn because it cut unprofitable services, but it turned the previous year's operating loss of $279.5m into an operating profit of $25.1m.

This week TWA placed its first big order for new aircraft in more than a decade, agreeing to buy 10 Boeing 757-200s and lease 10 more: the total value of the order is about $1bn. But Mr Jeffrey Erickson, chief executive, said the company needed to attack costs aggressively and enhance revenues to build on last year's restructuring. *Richard Tomkins, New York*

Columbia/HCA advances

Columbia/HCA Healthcare, the largest hospital management company in the US, said yesterday that fourth-quarter earnings rose 24 per cent last year. Net income in the fourth quarter was $354m on revenues of $4.6bn compared with profits of $286m on revenues of $3.9bn for the same period in 1994. The figures for both periods include the company's acquisition of HealthTrust, which was completed last April.

Columbia also reported that it had reached a partial settlement with the Internal Revenue Service related to a dispute over methods used to calculate tax liabilities at HCA from 1981 to 1988, before its 1994 merger with Columbia.

Issues related to about $486m in potential taxes and interest payments were settled for $87m earlier this month, and the tax court is expected to rule on the remainder of the dispute sometime this year. Mr Keith Markey, an analyst at ValueLine, estimates that the total liability could reach $1.7bn. Shares in Columbia slipped $¼ to $57¼ in early trading yesterday as earnings per share of 79 cents missed estimates by a cent. *Lisa Bransten, New York*

GE and Fuji Electric in link

General Electric of the US and Fuji Electric, the Japanese maker of electrical machinery, have formed a strategic global alliance to manufacture and market standard inverters used to control the speed of motors in a range of industrial applications. The two companies will set up a holding company in the Netherlands and manufacturing facilities and sales companies around the world, and combine their standard inverter businesses in global markets outside Japan. Inverters are used to control the speed of motors in a wide range of applications from air conditioners to large-scale plants.

The alliance brings together Fuji Electric 's strength in manufacturing inverters and its has a leading market position in Asia. The joint business aims to take a 20 per cent share of a Y200bn ($1.86bn) global market for the inverters. The market is expected to grow at an average annual rate of 15 per cent, with Asia enjoying growth of about 30 per cent per annum, albeit from a small base. By 2000, the companies expect the market to expand to about Y300bn.

Fuji already enjoys a worldwide market share of 11 per cent including Japan. However, the new alliance will not include the Japanese market, where Fuji has a market share of about 25 per cent. *Michiyo Nakamoto, Tokyo*

YPF down 22% as gas sales fall

By David Pilling in Buenos Aires

Lower natural gas sales and continued losses associated with a recent acquisition contributed to disappointing fourth-quarter results at Argentine hydrocarbons company YPF, where net income fell 22 per cent to $126m against the same period in 1994.

Net income per share fell from 46 cents to 36 cents as YPF continued to absorb the high debt levels it assumed after last year's purchase of Maxus Energy, a US-based hydrocarbons company.

One US analyst described YPF's fourth-quarter results as "terrible".

As the Buenos Aires stock market neared its close, the YPF share price was down 5.3 per cent at $21.45.

However, sales at Maxus, which has important resources in the US, Indonesia and Venezuela, rose 24 per cent to $194m in the fourth quarter against the same period in 1994, suggesting that YPF may be beginning to make good its pledge to turn the loss-making company around.

"During the quarter we continued to take steps to make Maxus profitable," said Mr Nells León, YPF president. "In addition to headcount reductions and other office cost cuts, we are investigating forming a joint venture for operating Maxus' US natural gas properties to further reduce administrative costs and add operational efficiencies."

Mr Christopher Ecclestone of brokers Interacciones, who has been critical of the Maxus purchase, admitted that "Maxus appears to be coming good".

Nevertheless, overall fourth-quarter results were "disappointing", he said, with sales down 4.2 per cent to $1.28bn despite higher oil prices. "That is far more than a seasonal decline," he said, attributing the fall partly to Argentina's sharp recession which saw the economy contract by at least 2.5 per cent last year.

Full-year results at YPF continued to be impressive, with profits up 41 per cent to $793m. These were "record levels" of profits on equally exceptional sales of nearly $5bn, Mr León said.

Operating income for the full tear had improved 30 per cent from the previous year, he said.

Nells León: taking steps to make Maxus profitable

Buenaventura puts expansion in its sights

NYSE listing is on the agenda at the Peruvian precious metals miner, says Sally Bowen

Forty-three years ago Mr Alberto Benavides, a mining engineer, left his managerial job at the then US-owned Cerro de Pasco Corporation and took a lease on Julcani, a silver mine in the high Peruvian Andes.

Today Don Alberto is the best-known and arguably the most highly regarded figure in Peru's mining world. He still directs Compania de Minas Buenaventura, which has grown to become the largest of Peru's locally-controlled mining groups. Sometime this year, he is expected to take it to the New York Stock Exchange.

Although his two sons hold senior company positions, Buenaventura is not a family company. The Benavides family controls 42 per cent of the voting shares and reckons over a quarter of the total is held by foreign institutional investors.

Buenaventura employs 2,000 people, operates half-a-dozen production units, and has stakes in several other joint and exploration ventures.

Six years ago, like many medium-sized Peruvian mining concerns, the company was racking up substantial losses. A combination of hefty government taxes on mining output (rather than profits), rock-bottom international silver prices – in the early 1980s, more than 90 per cent of income came from silver – and rampant terrorism in Peru's mining hinterland forced hundreds of small and medium-sized mines to close.

Gold was the saviour of this traditionally silver-mining operation.

Among its claims all over Peru lay Yanacocha, a site in the northern Andean department of Cajamarca; in association with France's BRGM, Buenaventura spent years, and a few million dollars, exploring the area.

There was gold, but so disseminated it proved not commercially recoverable until Newmont Mining took a 38 per cent stake and came in with modern, cyanide-leaching technology.

In two-and-a-half years since pouring its first gold, Yanacocha has become the largest single producer in the Latin American continent: 1995 production topped 554,000 oz and a new, third deposit is almost ready to come into full production.

Due to the readily leachable nature of its ore, Yanacocha is also among the lowest cost gold producers in the world: 1995 cash costs were $121 an ounce, half average western world costs. Gold is currently trading around $402 an ounce.

"For the overseas investor, the main attraction of Buenaventura is its being one of the joint venture partners of Minera Yanacocha," says Mr Jim Rutherford, mining analyst at HSBC James Capel. "It's one of the most exciting mainstream mining projects in Latin America in recent years."

However, Yanacocha's potential contribution to Buenaventura's asset value is still undefined because of a legal dispute between Newmont and Yanacocha, and BRGM.

The first two are fighting to confirm a preliminary ruling on their pre-emptive rights over BRGM's 24.7 per cent stake in Yanacocha, which the French company attempted to sell to Normandy Poseidon of Australia.

If the present ruling is upheld, Buenaventura's stake in Yanacocha will increase to 43.6 per cent and Newmont's to 51.4 per cent. The World Bank's International Finance Corporation has the remaining 5 per cent.

Although Yanacocha is the undisputed jewel in Buenaventura's crown, there is plenty of other sparkle. Uchucchacua is producing close to 4m oz of silver a year, and prospects for doubling that look good. The Orcopampa gold mine produces more than 42,000 oz of gold and almost 2m oz of silver annually. Three other wholly-owned mines push group silver output up to some 8m oz a year.

In addition, Buenaventura has an option on 10 per cent of the formerly state-owned Cerro Verde copper operation, acquired in late 1993 by Cyprus Amax of the US.

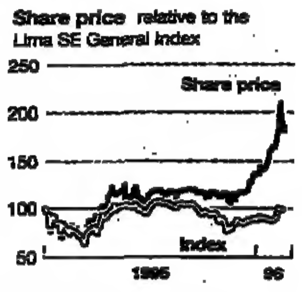
Cyprus is still finalising its development plans, but at the time of privatisation anticipated investment of $485m.

COMPANY PROFILE:

Buenaventura

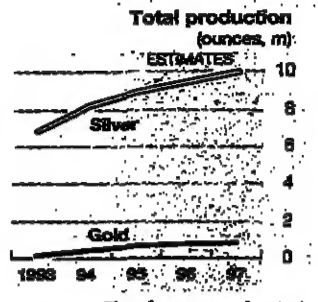
Market capitalisation	NS1.34bn
Main listing	Lima
Historic P/E	85.7
Gross yield	0.8%
Earnings per share	NS0.14
Current share price	NS19.9

Share price relative to the Lima SE General Index

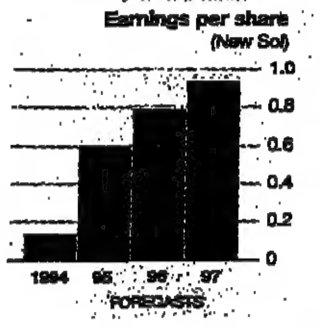


Source: Salomon Brothers & FT Extel

Total production (ounces, m)



Earnings per share (New Sol)



Taking up the option will cost Buenaventura about $6m with hefty future investment commitments.

Among the 900,000 hectares of claims around Peru, the furthest advanced is the Tantahuatay gold prospect, north-west of Yanacocha. Buenaventura is in a joint venture with Asarco-controlled Southern Peru Copper Corporation; in Ayacucho department, it shares another interesting venture with Newmont.

In late January, it bought at auction the first of a series of gold prospects belonging to Centromin, the large state mining group which is currently being sold off, and plans further acquisitions in forthcoming privatisations.

The expected equity issue sometime this year "would provide a solid platform for that expansion", says Mr Rutherford. And, for Don Alberto Benavides, an eventual New York listing would crown a long and distinguished mining career.

Bausch & Lomb buys Scottish lens maker

By James Buxton, Scottish Correspondent

Bausch & Lomb, the US optical goods company, has bought Award, a Scottish company which is one of only two producers in the world of disposable one-day contact lenses.

The purchase, for an undisclosed sum, will enable Bausch & Lomb to compete in the field of one-day contact lenses with Johnson & Johnson, the US healthcare company which is Award's only rival.

It should also lead to faster penetration by one-day lenses of continental Europe, and to the introduction of Award's lenses into the US.

One-day lenses, which wearers throw away at night, were introduced in the UK last year by Award, shortly before Johnson & Johnson. The US company had launched them in the US the previous year.

The lenses have only 2 per cent of the European contact lens market but are growing in popularity because they require no cleaning. Boots the Chemists, which sells Award's lenses in the UK for about £1 a pair, expects contact lens usage in the UK to double in the next three years as a result of the innovation.

Mr Carl Sassano, global business manager for Bausch & Lomb's contact lens business, said the purchase would give the company "immediate low cost entry in the daily disposable market" and "allow us to reduce our planned capital spending to increase our manufacturing capacity".

Bausch & Lomb, which claims to be the world's biggest eyecare company, will invest in increased production at Award's plant. It has bought worldwide licensing rights to Award's technology from BTG, formerly British Technology Group, and will apply later this year to the US Food and Drug Administration for approval to market the lenses in the US.

Award, which employs 100 people at Livingston in West Lothian, had sales in the year to August 1995 of about £1m ($1.5m) but expects £6m turnover this year.

CONTRACTS & TENDERS

INTERNATIONAL COMPANIES AND FINANCE

ASIA-PACIFIC NEWS DIGEST

PTT Telecom in Indonesian buy

PTT Telecom of the Netherlands yesterday agreed to pay $304m in cash for a 17.28 per cent stake in PT Telkomsel, an Indonesian operator of GSM mobile phone services.

The Dutch company, part of Konijklijke PTT Nederland (KPN), the Netherlands' telecommunications and postal group, described Indonesia as one of the world's fastest-growing mobile communications markets, reflecting its population of more than 200m people spread over about 17,000 islands.

A local Indonesian company, PT Setdco Megasel Asia, will also take a 5 per cent stake in the mobile operator for $88m, according to letters of intent signed yesterday in Jakarta. The proceeds of both transactions will be used to finance Telkomsel's expansion plans.

Telkomsel – currently 51 per cent owned by PT Telkom, Indonesia's national telecommunications company, and 49 per cent by PT Indosat, the country's international telecommunications provider – intends to boost its subscriber base from 33,000 to 120,000 customers by the end of 1996, with further growth to 550,000 by 2000.

After the transactions are completed, PT Telkom and PT Indosat will hold a combined 77.72 per cent stake in Telkomsel. The PTT Telecom deal mirrors a similar transaction last year, whereby Deutsche Telekom acquired a 25 per cent stake in Satelindo, Indonesia's biggest mobile operator, which is estimated to have a subscriber base of 100,000 customers.

Ronald van de Krol, Amsterdam

Carter Holt shows improvement

Carter Holt Harvey, the New Zealand Forestry group, reported earnings ahead from NZ$314m to NZ$362m (US$244m) on revenue up from NZ$1.97bn to NZ$2.32bn in the nine months to end-December. It called the result "solid". However, pre-tax profits for the third quarter fell from NZ$166m in the same period last year to NZ$146m this time. The third-quarter figure included dividends of NZ$25m from Copec, a Chilean group in which Carter Holt has a 30 per cent indirect stake, up from NZ$21m in the same quarter a year ago.

The company said demand remained soft "and in the near term the company is not forecasting any significant change in the recent trends in key markets". The integrated nature of its operations would "minimise the negative effect of these market conditions".

The nine-month results reflected improved earnings from its pulp, paper and tissue operations, offset by a weaker performance elsewhere, Carter Holt said. The wood products division, in particular, was hit by lower building activity in New Zealand and Australia, and pre-tax profits fell from NZ$202m to NZ$163m.

AFX News, Wellington

CSR settles asbestos claims

CSR, the Australian building products, sugar and aluminium group, said yesterday it had settled a further 30,000 of the asbestos-related product liability claims which it has been contesting in the US, for about A$14m (US$10.6m). This sum will be charged against the existing provision made in the group's accounts.

The asbestos-related claims have hung over the group for some years, but CSR said yesterday it had now resolved about 45,000 claims in total, either through settlements or dismissals. There about 22,000 claims still outstanding, mainly in Mississippi. "We are working to resolve them either by litigation or settlement," said Mr Geoffrey Kells, managing director.

Nikki Tait, Sydney

Burns Philp slumps to A$41m

Burns Philp, the Australian food ingredients company, saw after-tax profits slump to A$41m in the six months to end-December, down from A$76.7m in the first half of the previous year. Sales were 7 per cent higher, at A$1.09bn, but the company said a consumer spice price war in the US and weaker conditions in Europe were responsible for the profits fall.

Burns Philp said it expected second-half earnings to be stronger than last time, but that the full-year trading result would be in line with the previous year.

Nikki Tait

Resolute up at midway

Resolute Samantha, the Western Australian goldminer, yesterday announced profits after tax of A$20.1m (US$15.1m) in the six months to end-December, up from A$8.4m a year earlier. Earnings per share more than doubled to 15.6 cents.

Nikki Tait

Cost cuts help Canon achieve 49% advance

By Michiyo Nakamoto in Tokyo

Strong demand for PC equipment and stable growth in the office automation sector helped Canon, the maker of printers, copiers and cameras, to achieve a strong profits increase in the year to last December.

Canon, which makes 78 per cent of its revenues overseas, was able to overcome the fluctuations in the exchange rate through the year and raise parent recurring profits by 49 per cent from Y53.9bn the previous year to Y80.3bn ($750m).

The rise came from sales ahead 14 per cent from Y1,078bn to Y1,231bn. Net profits increased 65 per cent from Y26.7bn to Y44.2bn.

Canon said the the trading environment had been difficult over the past year in all its main markets, with the US economy showing signs of slowing, Europe more or less stagnant, and Japan affected by sluggish private capital investment and consumer spending.

Canon's high ratio of exports meant it was also affected by currency fluctuations, which saw the yen rise to about Y80 to the dollar at one point and then reverse direction to weaken to Y100 to the dollar.

The company responded by introducing cost-cutting efforts – including increased procurement of parts from overseas and shifting of production outside Japan – and structural changes to the way the group organises its businesses, which helped it raise overall efficiency.

Sales were helped by a strong rise in demand for PCs, particularly in Japan, which supported many of Canon's computer-related equipment such as printers and steppers.

The company's bubble jet printers were particularly popular among individual users because of the introduction of lower cost models. The fall in PC prices meant that consumers could afford to buy printers at the same time, Canon pointed out.

Steppers, which are used in the manufacture of semiconductors, were also in wide demand as many semiconductor manufacturers stepped up production plans on the back of strong demand, particularly from the PC industry.

As a result, Canon's stepper sales rose 60 per cent in the year.

The copier business, which posted an 8 per cent rise in sales, was supported by the introduction of digital copiers which enable users to control copying functions and send faxes from their desks.

In spite of the maturing of its main markets, sales of cameras rose 7 per cent on the back of new models which incorporate advances such as solar batteries and Canon's unique eye-control focus.

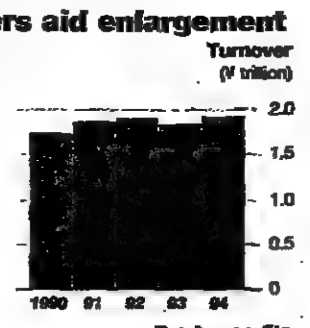
The company expects its markets to show continued stable growth this year, with the Asian market, which rose about 40 per cent last year, likely to be particularly buoyant.

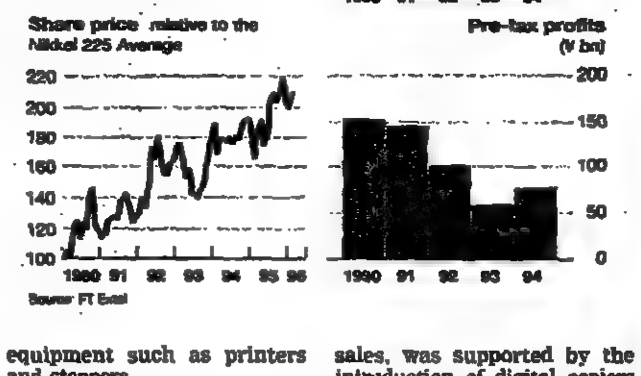
As a result, it forecasts a rise in parent sales to Y1,350bn, increased recurring profits of Y100bn, and net profits of Y54bn in the current year.

COMPANY PROFILE: **Canon**

Cameras and copiers aid enlargement

Market capitalisation	$16.0bn
Main listing	Tokyo
Historic P/E	63.0
Gross yield	0.6
Current share price	¥2050





Source: FT Extel

Chiyoda charged under Tokyo's securities laws

By William Dawkins in Tokyo

Tokyo prosecutors yesterday indicted Chiyoda Securities, a medium-sized stockbroker, and one of its former directors, accusing them of illegally compensating clients for investment losses.

These are the first such charges under a 1992 revision to securities laws that outlawed such compensation, but they are part of a continuing drive to clean up the image of Tokyo's financial markets.

The law was toughened after a several leading stockbrokers were reprimanded by the finance ministry in 1991 for guaranteeing profits for favoured customers – the first in what was to become a series of blows to the standing of Tokyo's capital markets.

The charges against Chiyoda came in response to an accusation in December by the Securities and Exchange Surveillance Commission, the watchdog set up four years ago in response to the earlier share compensation allegations.

The maximum penalty is one year's imprisonment plus a fine of Y1m ($935,000) on an individual and a Y100m fine for a company.

According to the indictment, Chiyoda paid Y63m to several clients between February 1993 and September 1994 to cover clients' losses or pad their profits.

Mr Mitsuru Sone, a former executive director who resigned after the SESC allegations, was indicted yesterday, while the Tokyo public prosecutor's office issued summonses for Mr Kaneo Sato, a former president of Chiyoda, and three other executives.

Three customers alleged by the SESC illegally to have demanded compensation were not indicted.

Chiyoda, which is an unlisted company, was established in 1947. It has been loss-making for the past five years. Like most of the smaller brokers, it is dependent on income from share trading commissions.

The company has few other activities to enable it to survive periods of low stock market turnover, and so client loyalty is of overriding importance.

ONA gets to grips with its image problem

The Moroccan group has been accused of being aggressive and secretive, says Roula Khalaf

For many institutional investors, buying into Morocco means owning Ominium Nord Africain, the country's largest, most aggressive and most controversial company.

Lately, however, foreign holders – now accounting for 30 per cent of the equity, and including Mr George Soros, the international financier – have soured on the company and left the stock languishing at Dh345, the same price at which it was offered in a 1994 international placement.

ONA suffers from an image problem. With 1994 sales of Dh20bn ($2.3bn) and a market capitalisation of Dh5.8bn, it is widely considered "a state within a state".

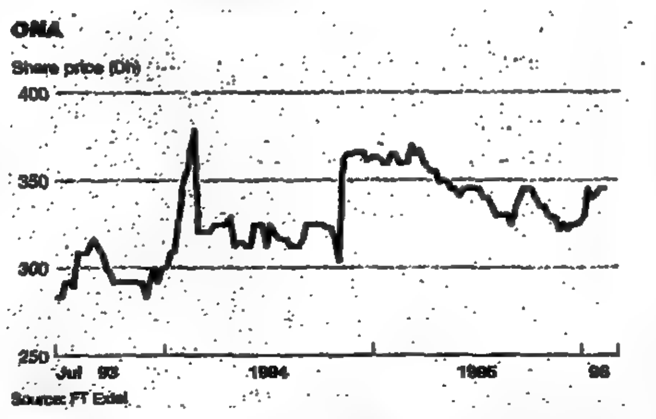
Its connection to the royal family – members own 14 per cent of the stock – and the fact that its chief executive officer, Mr Fouad Filali, is both the king's son in law and the son of the country's prime minister – may be a reassuring factor to foreign investors. But it has also made the company an easy target in a country where no-ones dares to directly criticise the monarchy.

Moroccans complain of excessive ONA control. Initially set up in 1919 by the French when Morocco was a protectorate, the company built the famed Mamounia Hotel in Marrakech. Today, core businesses include food, distribution, banking and financing, mining, construction, and high technology.

Through its food business ONA controls more than 70 per cent of the refined sugar market, 55 per cent of the milk market, 75 per cent of the yoghurt market and 75 per cent of the cooking oil market.

As the group expanded in size – revenues jumped from Dh5bn in 1986 to more than Dh20bn today and the conglomerate now comprises 100 businesses – it became more difficult to understand, and analysts began complaining of a lack of transparency.

ONA



Source: FT Extel

In the 1980s, the company embarked on a buying spree, going into far-flung and unrelated businesses in textiles and tourism, and accumulating a mountain of debt along the way.

When Mr Filali took over in 1988, he added more businesses. His main coups include introducing Moroccans to the concept of hypermarkets and leading an international expansion with the 1993 purchase of one of France's largest food trading companies in Africa.

With 25 per cent of profits now derived from international operations, ONA can better withstand the swings of the Moroccan market, where drought can send growth from more than 10 per cent one year to a negative figure the next.

Mr Miles Morland, of London-based Blakeney Management, says ONA has been misrepresented as an index fund on Morocco. The big swing factors in the company's earnings are not the drought, he argues, but world metals prices – which affect its mining business – and the French food market – which determines the profitability of international operations.

Mr Filali is credited with having opened up the company's capital to local and international shareholders. "ONA used to be a family business, for royals and people close to them," he says. "Now 40 per cent of the capital is owned by Moroccan institutions and 30 per cent by foreigners."

Although ONA may no longer be a family business, it continues to act like one, say analysts and observers

Meanwhile he has reduced the company's gearing from 127 per cent in 1993 to 67 per cent now.

Although ONA may no longer be a family business, it continues to act like one, say analysts and observers.

They complain that the company remains secretive and less than forthcoming with financial details, while officials refuse to comment on events, allowing rumours to spread.

For example, when ONA last year sold the largest insurance broker to a group that included a former company employee, rumours spread that the broker had been sold for nominal value and ONA did little to stop the rumour mill turning.

It is partly in response to all this criticism that Mr Filali has been restructuring the company to focus on the main lines of business and dispose of the remainder.

"People say we're too big and not transparent, so now we're trying to focus on a few lines of business and on getting our subsidiaries to be more profitable and to be run more efficiently," he says.

The results are already apparent. Mr Anas Alami, an analyst at local broker Upline Securities, estimates return on equity of 13 per cent in 1995, up from 10.3 per cent the previous year, and 4.2 per cent in 1993.

But while the numbers tell a good story, a recent spate of unexplained high-level defections and concerns over the liberalisation of prices of staples such as vegetable oil and sugar have dogged the company in the past year. Questions have been raised about whether ONA will be able to face outside competition in a liberalised environment.

Mr Filali says ONA has long been preparing for these events, merging companies to achieve economies of scale.

"We've made errors, but we also had good anticipation. We anticipated this trend years ago and that's why we had mergers. Now we have to reduce costs and invest in productivity."

Shares at three-year low after results show effect of US demerger

First quarter dip at Hanson

By David Wighton

Hanson shares fell to a three-year low yesterday after the industrial conglomerate announced its first downturn in underlying quarterly profits since 1993.

The latest fall, of 3p to 180½p, means the shares have fallen 12 per cent since the group announced plans to demerge into four quoted companies two weeks ago.

Hanson stressed that the £10m fall in profits to £262m, in the first three months to December, reflected the absence of a £44m contribution from US Industries, the collection of US businesses demerged last year.

Fully-diluted earnings per share were unchanged at 3.9p and the quarterly dividend is held at 3p.

The figures, which were higher than some City forecasts, included £28m of dividends from Hanson's stake in the National Grid.

Lord Hanson, chairman, said: "This very satisfactory result is in line with expectations. We are ahead of last year after adjusting for USI contributions."

Operating profit from continuing operations rose to £326m (£278m) but the underlying trend was down, excluding a first contribution of £75m from Eastern, the UK electricity group acquired for £2.9bn in September.

The dip was due largely to the expected downturn at its US polyethylene producer Quantum Chemical.

Polyethylene prices, which recovered strongly after Hanson acquired Quantum in 1993, slipped back in the second half of last year and profits fell 31 per cent to £58m in the first quarter. But Hanson said customer de-stocking appeared to have ended and Quantum and other producers have announced price increases to take effect this month.

In its US coal business, Hanson said it had put in place an "aggressive cost savings plan" following the fall in prices.

Profits from Imperial Tobacco, and Hanson's other consumer businesses, were slightly down at £81m (£87m), though the shortfall is expected to be recovered.

The contribution from building materials and equipment was flat at £36m, with an improvement in the US offsetting the impact of the UK housebuilding downturn on the brick and electrical side.

The Eastern deal pushed up interest charges to £85m (£53m) but it is likely to enhance earnings for the full year by more than expected at the time of the acquisition.

Lloyds Abbey looking for buys

By Alison Smith, Investment Correspondent

Lloyds Abbey Life, the life assurer mainly owned by the Lloyds TSB Group, is joining the ranks of potential purchasers within the UK life assurance sector.

Until now LAL, which yesterday reported a 31 per cent increase to take its pre-tax profits to £421.5m ($649m) for 1995, has seemed unlikely to participate in the rationalisation of the sector.

This is because its own future ownership structure has yet to be resolved, having been called into question particularly by the merger between Lloyds Bank and the TSB Group late last year.

Sir Simon Hornby, LAL chairman, yesterday refused to say even when this issue might be settled, suggesting that decisions on LAL's future could be some months away. One likely option is that Lloyds TSB would buy out the minority shareholders, and then perhaps sell Abbey Life, the subsidiary which sells life assurance primarily through a direct sales force.

But Mr Stephen Maran, LAL chief executive, emphasised the group's role as possible purchaser, saying it was on the look-out to acquire a mutual insurer to broaden its product range and enhance its ability to sell through independent financial advisers.

"We would be quite interested in buying a mutual life assurer", he said.

Abbey Life already sells some policies through independent advisers, but Mr Maran said that to be a serious presence in this market, an assurer needed to have a with-profits fund.

This type of fund would make it easier to provide certain types of product, alongside the unit-linked policies it sells now.

Like four of the other five continuing businesses within LAL, Abbey Life reported improved results for last year, as pre-tax profit rose 17 per cent to £149m (£126.9m). The sharpest increase was in Black Horse Financial Services, a "bancassurance" company selling only to Lloyds Bank customers, where pre-tax profits rose from £71.5m to £121.1m.

The exception to the improved results was Black Horse Agencies, the group's estate agency, which reported a pre-tax loss of £9.5m against £3.7m in 1994. But Sir Simon insisted that the group had no plans to dispose of the business.

The 1995 results included the impact of two disposals: the group made a profit of £35.7m in selling the first mortgage portfolio of Lloyds Bowmaker, its finance company, but realised a loss of £35m in its sale of Trans Leben, its lossmaking German insurance operations.

Mr Maran said the pre-tax profit increase had been helped by 1994 results being hit by a £60m provision. This was for possible compensation payments to the victims of poor advice to leave an occupational pension scheme and buy a personal plan. Without this effect, pre-tax profits would have risen by about 10 per cent.

The results were better than the market had expected, and LAL shares rose 18p to 506p.

Hammerson extends French property side

By Simon London, Property Correspondent

Hammerson, the property investment and development company, has spent £67m ($103m) to extend its French property interests, including the acquisition of a large Paris office building.

The company is paying FFr375m for the freehold of 40-46 rue de Courcelles, located in one of the city's prime office locations.

The deal is one of the largest investment transactions in the Paris office market in recent years and one of the most significant acquisitions by an overseas property company.

Many French property owners have been reluctant to sell to avoid realising losses on properties, which have fallen in value over the last five years.

The rue de Courcelles building generates rental income of FFr51m on a lease expiring at the end of 1997, implying an initial yield at the purchase price of 13 per cent.

Mr Ron Spinney, chief executive, said Hammerson plans to refurbish the building, at an estimated £25m cost, when the existing lease expires. The refurbished building will provide 17,700 sq m (200,000 sq ft) of office space on large floors, suitable as a corporate or bank headquarters.

Credit Foncier, the French bank which is selling the building, has agreed to lend Hammerson the cash to satisfy the purchase price until December 1999, at a reduced 4 per cent rate of interest.

Hammerson has also acquired the 34 per cent it did not already own in 54 boulevard Haussman, also in central Paris, from Axa, the French insurance group.

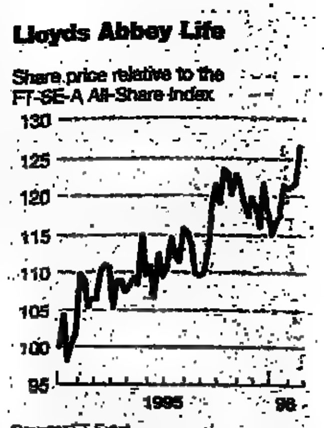
The UK company is paying FFr141m for Axa's minority stake in the 10,600 sq m (110,000 sq ft) retail and office building. The price implies the same value for the building as when Hammerson acquired its initial 66 per cent interest in boulevard Haussman in November 1994.

LEX COMMENT

Lloyds Abbey

Lloyds Abbey Life

Share price relative to the FT-SE-A All-Share Index



Source: FT Extel

Yesterday's impressive results from Lloyds Abbey Life owed nothing to grim market conditions. LAL has had little alternative but to fight for market share and grind down costs. This strategy may be unexciting, but it has worked. The result is that, even after a healthy run, the shares still look reasonably priced. If, as seems likely, LAL can sustain dividend growth at or slightly above the market average, a 30 per cent yield premium may even be a little overdone. What is really exercising investors, though, is how LAL will fit in following the merger of Lloyds Bank and TSB.

LAL's results show there are healthy profits to be made from selling insurance products to bank customers. And in principle, there should be plenty of scope for cutting costs by putting together LAL, in which Lloyds has a 62 per cent stake, with TSB's businesses. But there are two snags. First, TSB and Lloyds have very different approaches to selling pensions and insurance products: TSB's operations, unlike Lloyds', are fully integrated. And just as importantly, the 38 per cent minority shareholding in LAL is a serious obstacle to putting the businesses together.

There is no problem-free solution, but what is clear is that the structure will have to change. Probably the least bad option would be for Lloyds to buy out LAL's minority investors. At £1.4bn or so, the cost would be quite a mouthful – but Lloyds could partly finance such a deal by selling non-bancassurance parts of the business.

Further job losses at R Dutch Shell

By Robert Corzine

Royal Dutch Shell, the Anglo-Dutch oil group, has shed almost a third of its head office jobs since it announced a shake-up of its corporate structure last April.

The company says the number of jobs in its centralised service companies, based mainly in London and at various locations in the Netherlands, has been cut from 3,900 to 2,800 in spite of rearguard opposition to the changes by some senior managers and employees

The 28 per cent reduction is close to the 30 per cent target set last year by Mr Cor Herkströter, chairman of Shell's committee of managing directors, the group's collective leadership.

The restructuring of the head office was due to have been implemented on January 1. But working out the details proved more time-consuming than originally envisaged, said executives. Consultations with staff councils in the Netherlands also proved to be "laborious", they said.

There are still some outstanding issues in the Netherlands, but staff now know how they fit into the scheme.

Shell, which reports its final results today, says the restructuring is less about immediate cost savings than making the company more responsive to a changing business environment.

GT Chile board refuses to resign

By Roger Taylor

The board of the GT Chile Growth Fund, the investment company with assets of about £240m ($370m), has refused to resign despite a request from the majority shareholder in the fund.

Regent Kingpin Acquisitions yesterday confirmed that it now held more than 65 per cent of GT Chile, following a bitterly contested bid for the fund. It has asked for the board to resign, but the board has refused on the grounds that it needs to protect minority shareholders.

Mr Colin Kingsnorth, a Regent Kingpin director, said: "They are just clinging on for dear life now. We do not want to call an extraordinary meeting to vote them out, but obviously we will if we need to."

The board is concerned that Regent's proposals to liquidate the fund partially do not treat all shareholders equally, and that some may be unable to cash in their shares.

Regent says it has agreed to tender for enough shares in GT Chile to ensure that all investors who wish to exit the fund are able to do so. However, GT Chile's board said: "Regent has failed to provide satisfactory answers to our questions on its plans."

The board is considering a compulsory purchase of shares from Regent Kingpin under powers given in the fund's articles of association.

Williams in £35m China venture

By Daniel Bögler

Williams Holdings, the conglomerate, is to make its first investment in China through a £35m ($53m) joint venture to manufacture locks and security products.

The diversified industrial group, which produces Yale locks and Corbin Russwin door closures, is joining forces with China's largest lock maker, Guangdong Guli Locks.

The joint venture company, to be named Yale-Guli, will manufacture more than 25m locks a year and employ 4,000 people in Xiaolan.

Williams will inject its technology and £13m in return for management control and a 45 per cent stake. Guli will contribute its tangible assets for 40 per cent of the venture. The remaining 15 per cent will be held by American International, the US insurance company which already has a stake in Guli.

Guli has been making basic, single-lever zinc locks since 1974 and has diversified into other security products. It is the market leader in China with its Guli and Diamond brands and has been growing at about 50 per cent a year since 1988. The company exports half its production, mostly to North America.

Guli's sales last year were worth about £30m compared with £350m turnover at Yale. Guli is profitable under Chinese accounting rules but its margins fall short of the 18 per cent return on sales at Yale.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bensons Crisps	Yr to Nov 30 ★	31.2	(35.7)	0.747L♠	(6.72L♠)	1L	(25.3L)	nil	-	nil	nil	nil
Bowness Leisure Φ	Yr to Oct 31	2.07	(1.72)	0.225	(0.223)	20.4	(19.7)	4.5	July 1	4	4.5	4
Flying Flowers	Yr to Dec 29	26.1	(14.7)	2.84	(1.82)	10.65	(7.69)	2.7‡	-	2	4.05	2.95
Hanson	3 mths to Dec 31	3,278	(3,155)	262	(272)	3.9	(4)	3	Apr 9	3	-	12
Lloyds Abbey Life	Yr to Dec 31	2,620	(2,394)	421.5	(322.6)	39	(29.8)	14.2	May 7	12.7	21.5	19.5
Verdon	Yr to Dec 31	52.6	(30.2)	9.14	(7.39)	7.8†	(7.1)	1.25	May 3	1.125	1.65	1.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bagiel	6 mths to Dec 31	116.34	(103.84)	0.132	(0.264)	0.46	(0.93)	-	-	-	-	1.5
F&C Income Growth		-		-		-		0.75#	Mar 29	0.7	-	3.25
Fulcrum		-		-		-		2.65##	Mar 29	2.65	-	8.95
Schroder Split	Yr to Jan 31	-		-		-		2.15	Mar 29	2.1	7.85	7.5
Scottish American	Yr to Dec 31	190.8	(171.4)	12.5	(10.9)	5.6	(4.86)	1.27	Apr 5	1.22	5	4.82
Updown	Yr to Dec 31 ★	780.14	(654.43)	0.696	(0.583)	17.4	(14.06)	15	Mar 28	13	15	13

Earnings shown basic. Dividends shown net. ‡Gross. Figures in brackets are for corresponding period. ★Comparatives restated. ♠After exceptional charge. †On increased capital. ΦAim stock. #Third interim: makes 2.25p to date. ##Third interim: makes 5.45p to date.

Hammerson

LIG restructures with German sale

The disposal programme at London International Group, the healthcare products and condoms manufacturer, has taken a further step with the sale of Plantur, a German haircare brand, to Gaba International of Switzerland for DM3.2m (£1.4m) plus stock.

The move forms part of a substantial restructuring, announced yesterday, of LIG's German consumer business, based at Mönchengladbach. Up to 57 jobs are expected to be lost but costs of about £4m have already been provided for in the group's accounts.

Mr Nick Hodges, chief executive, said the new arrangements will transfer sales and distribution of the product range to Klosterfrau of Cologne.

Attempt to demystify and simplify buy-backs

Geoff Dyer reports on Reuters' proposals to change regulations

The arcane rules surrounding share buy-backs in the UK have always been the subject of heated debate. Reuters, the financial information and news group, has sparked a new discussion about the issue with a proposal that the regulations be simplified.

The group, which disclosed on Tuesday that it was examining ways to reduce its £850m cash pile, has called for share repurchases to be subject to capital gains tax, rather than advance corporation tax, which is the current procedure.

In an article published at the end of last year, Mr Rob Rowley, finance director, argued that this would help "demystify" the issue and make share buy-backs more "straightforward". This would follow US practice, where stock repurchases are more common.

Reuters is no stranger to the complexities of the UK regulations, having bought back £350m worth of shares in 1993. However, Mr Rowley believes that a repeat exercise would now be "impractical".

He believes there is too much confusion surrounding the tax credit linked to a company's ACT which tax-exempt shareholders receive from buy-backs.

The Inland Revenue believed that some institutions had been abusing the system by buying shares with the sole purpose of selling them to the company and claiming the tax credit.

So instead of awarding blanket clearance for buy-backs to companies, as it did for Reuters, it now examines each shareholder's position on a case-by-case basis.

Mr Rowley also believes that the current rules might result in illiquid trading of a company's stock after a repurchase, because some institutions might not sell shares for fear of attracting the attention of the Inland Revenue.

Ashley Ashwood

Peter Job, chief executive: examining ways to reduce cash pile

Reuters' view has some support in the City. One US banker argued: "The confusion in the present system prevents companies adopting a more efficient capital structure." He added that the difficulties surrounding buy-backs can lead companies to make unwise acquisitions, instead of returning the cash.

The Inland Revenue said yesterday that Mr Rowley's proposal was not a new one and it would "bear it in mind".

However, the idea has many opponents too. As it would involve institutions losing the ACT tax credit, they are reluctant to support it.

Some bankers suggested that although the rules were not always clear, the market had become more confident about buy-backs after several had been launched by regional electricity companies.

"In practice, anyone who bought shares before the announcement of a repurchase is absolutely safe", said one banker. Only purchases after the announcement would have to be justified to the tax authorities.

Reuters' situation is further complicated by its own tax position. Analysts forecast that the group has recoverable ACT of about £25m, against £92m it had before its last buy-back. This has led some to speculate that any cash distribution could be lower than last time.

A buy-back is thought more likely by analysts than a special dividend because it would be voluntary and because shareholders' different tax statuses mean they do not receive equal benefit from dividends.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

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OTHER INVESTMENT TRUSTS

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INVESTMENT COMPANIES

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LEISURE & HOTELS

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LEISURE & HOTELS - Cont.

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LIFE ASSURANCE

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MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

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OIL, INTEGRATED

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OTHER FINANCIAL

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OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

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PHARMACEUTICALS

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PHARMACEUTICALS - Cont.

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PROPERTY

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PROPERTY - Cont.

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RETAILERS, FOOD

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RETAILERS, GENERAL

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RETAILERS, GENERAL - Cont.

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SUPPORT SERVICES

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SUPPORT SERVICES - Cont.

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WATER

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AIM

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AIM - Cont.

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AMERICANS

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CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pre -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

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From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

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PO Box HM1 3A, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

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Newport Investment Management
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Dealing: 01481 726280

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Bachmann Global Investment Fund Ltd

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IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (REGULATED)(**)

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JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

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ISLE OF MAN (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الأصل

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Credis Investment Funds - Contd.	[illegible]	[illegible]	[illegible]	[illegible]
Nikko Asia Convertible Bond Fund				
Nikko Asia Conv Bond NAV	$10.67		—	—
Nikko Bank (Luxembourg) S.A.	[illegible]	[illegible]	[illegible]	[illegible]
Nomura Asian Infrastructure Fd SICAV				
NAV	$22.20		-0.11	—
For Dade Fund see Fleming Group				
Pacific Basin Growth Fund	[illegible]	[illegible]	[illegible]	[illegible]
Pan-Holding SA	[illegible]	[illegible]	[illegible]	[illegible]
Pictet Group				
Asia Growth	$108.17		—	—
[illegible]	£85.58		—	—
REIG Global Funds	[illegible]	[illegible]	[illegible]	[illegible]
River & Mercantile Latin American SICAV				
Latin American NAV	$10.94		-0.01	—
CMI Insurance Co Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Royal Life International	[illegible]	[illegible]	[illegible]	[illegible]
Royal Skandia Life Assurance Ltd (z)	[illegible]	[illegible]	[illegible]	[illegible]
Capital International				
Capital Int. Fund	$181.18		—	—
Cathay Investment Fund Limited				
NAV Dec 31	HK$10.13		—	—
Chameleon Funds Limited				
UK Equity Fund	£141.72	142.80	—	—
For Chase Manhattan Vista Funds see Luxembourg Reg				
Chescor Indian Investment Company Ltd				
Smaller Cos Pfolio Feb 9	$4.14		—	—
The China Fund	[illegible]	[illegible]	[illegible]	[illegible]
The China Invest & Development Fd Ltd				
Red Pfg Pref NAV Jan 31	$10.39		+0.04	—
Citibank Global Asset Mgmt (Asia) Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Citizens Investment Trust Mgt Co Ltd	[illegible]	[illegible]	[illegible]	[illegible]
City & International Securities Ltd	[illegible]	[illegible]	[illegible]	[illegible]
Clariden Bank	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OFFSHORE INSURANCES

	Selling Price	Buying Price	+ or -	Yield Gross
AXA Equity & Law Intl Life Assce Co	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Selling Price	Buying Price	+ or -	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Frontier Fund Management Co				
NAV (Fully Paid) Jan 31	$10.15		—	—
The Vietnam Fund Limited				
Lloyds Bank Fund Managers (Guernsey) Ltd				
NAV Fully Paid Jan 31	$11.72		—	—
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs	[illegible]		—	—
Wells Fargo B Shs	[illegible]		—	—
Worldwide Limited				
NAV Jan 31	$80.83		—	—
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$9.77		—	—
Xiphias Gr Ecu Acc	Ecu14.287		—	—
Zanett Lombardier Ltd				
NAV Feb 1	$146.69		—	—
Zweig-DiMenna International Limited				
NAV Jan 31	$140.22		—	—

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♣) - 1101 to 1400 hours
(♦) - 1401 to 1700 hours
(♠) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
x - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
y - Offered price includes all expenses except agent's commission.
z - Previous day's price.
§§ - Guernsey gross.
◆ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
Φ - Yield column shows annualised rates of NAV increase.

LONDON STOCK EXCHANGE

MARKET REPORT

Equities sustained by more takeover speculation

By Steve Thompson,
UK Stock Market Editor

An element of doubt and nervousness ahead of the Scott report into the "arms to Iraq" affair and an early sell-off on Wall Street left London's equity market marginally easier on balance yesterday.

But the modest 2.6 points decline in the FT-SE 100 index, to a closing 3,745.0, masked a solid performance by most UK stocks. Dealers said the market had been underpinned by a growing feeling that further takeover activity was about to be unleashed in London.

Second-line stocks continued to attract widespread buying interest, which drove the FT-SE Mid 250 index to another record finish, up 1.4 at 4,161.7.

Among a host of bid stories circulating in the City's trading rooms was one that Rentokil was about to bid for BET, the services group; that one of the UK's big property groups was putting together a break-up bid for P&O; and that a rationalisation of Lloyds Abbey Life and TSB Life by Lloyds TSB, which has a 62 per cent stake in Lloyds Abbey Life, was imminent. Any deal would involve the demerger of Abbey Life and Bowmaker and see Lloyds TSB buy out the minority of LAL.

At least one of the big broking houses was telling its clients that the insurance sectors, and particularly the composites, would be the next area of the market to attract the attention of predators. Dealers said London was due a down day and would probably lose ground today if Wall Street remained lower after its weak opening yesterday. But most traders continued to adopt a positive view of the market in the short to medium term.

A senior marketmaker at one of the big European securities houses said he expected Wall Street to extend its astonishing upside performance and for London to move up in tandem. "There will be a big correction at some point, but there is still big pent-up demand for stocks here and in New York."

The trading session began with stocks opening in good form and the FT-SE 100 up more than five points. But a poor opening by gilts, which were pressured by weak German bunds, began to unsettle equities which never really recaptured their early sparkle.

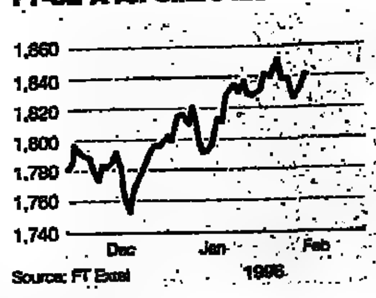
A raft of economic data saw relatively encouraging numbers on unemployment average earnings and unit wage costs, while the Bank of England's quarterly inflation report included, as expected, a downward revision of inflation expectations. The Bank now expected inflation to drop below 2.5 per cent in the next two years.

The economic news had little impact on the stock market, which awaited official inflation figures for January, due this morning, and the Scott report which has cast a shadow over the market for some time.

With the Dow Jones Industrial Average down some 30 points an hour after its opening, London struggled towards the close. Turnover came in at a slightly disappointing 739.4m shares, with activity in three stocks, BET, Hanson and Lasmo, accounting for almost 10 per cent of the total.

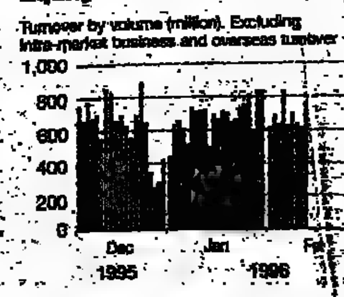
Retail business on Tuesday topped the £2bn mark.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3745.0	-2.6	FT Ordinary index	2738.7	-10.0
FT-SE Mid 250	4161.7	+1.4	FT-SE-A Non Fins p/e	17.48	(17.16)
FT-SE-A 350	1865.9	-0.8	FT-SE 100 Fut Mar	3741.0	-12.0
FT-SE-A All-Share	1841.04	-0.61	10 yr Gilt yield	7.65	(7.58)
FT-SE-A All-Share yield	3.73	(3.73)	Long gilt/equity yld ratio:	2.17	(2.16)

Best performing sectors

1. Oil Exploration ... +2.2
2. Media ... +0.9
3. Banks, Retail ... +0.8
4. Health Care ... +0.7
5. Life Assurance ... +0.6

Worst performing sectors

1. Tobacco ... -1.0
2. Household Goods ... -0.9
3. Food Producers ... -0.7
4. Electricity ... -0.7
5. Insurance ... -0.7

Takeover spotlight on BET

Rumours linking Rentokil with the takeover of BET flared out into the open following sharp movements in the companies' shares and an upsurge in BET trading volume to the second highest on record.

The two groups, both service industry heavyweights, have long been subject to bid speculation, but yesterday the City takeover specialists got the bit firmly between their teeth. BET turnover shot up to 28m shares, the heaviest day's trading for five years.

BET was the day's fastest rising FT-SE Mid 250 stock, adding 10½ at 150p for an overall improvement since December of 25 per cent. Rentokil fell back 4¼ to 382¼p in 2.1m traded.

The two businesses have significant overlaps. One analyst said yesterday: "It could be a case of strong management chasing what has long been seen as management shortcomings at BET..

Lasmo advances

Exploration and production oil issues erupted into life yesterday, with analysts looking very closely at takeover prospects for Lasmo.

Interest was fired by news that Mobil Corp's Australian unit is expected to bid A$4.25 a share for Ampolex, of Australia. The offer was 30 per cent above the Ampolex share price and the announcement was a reminder that the oil majors are "bursting with cash", according to one analyst.

It came on the back of full-year figures from BP, which also attracted comment about the company's heavy amounts of spare cash following a period of strict cost-cutting and recovery.

Finally, Cazenove, broker to the company, was said to have issued a buy recommendation. Lasmo rose 7 to 171p, the biggest percentage gain in the Footsie. However, it was still down from the level reached three weeks ago and well below its 480p peak in 1990. Turnover of 20m was exceptionally heavy for the stock.

Enterprise was also heavily dealt, gaining 11 at 379p on volume of 4.7m shares.

P&O hints

Revived bid speculation sent P&O racing up the Footsie rankings in good volume. The rumours were given a helping hand by the intriguing news that BZW had replaced SBC Warburg as joint broker to the shipping and property giant.

Intermittent talk of a demerger or a hostile takeover has driven the shares up from a January low of 456p. At least one top broker puts P&O's break-up value at 700p. Up 15 at one stage yesterday, the shares closed 9 ahead at 544p in turnover of 3.7m.

P&O has a property portfolio that tops £1.7bn. Conspiracy theorists were quick to point out that SBC Warburg has connections with three leading property groups. The house is broker to MEPC, British Land and Land Securities.

Officially, the BZW appointment was said to stem from P&O's needs to beef up investor relations. BZW joins Panmure Gordon as P&O's joint handlers.

Lloyds Abbey Life shares responded to a 31 per cent rise in full-year profits with a gain of 18 to 506p.

Analysts raised estimates for the current year and showed signs of becoming more enthusiastic on the stock. Mr David Nisbet of NatWest Securities increased his profits forecast by £35m to £440m after the figures showed underlying profits growth of 10 per cent against his forecast of 5 per cent. And he added: "It would not disturb me to see the price as high as 550p."

There was also speculation that Lloyds TSB might resolve the conflict of interest between the TSB and Lloyds life assurance operations by hiving off its Abbey Life and Bowmaker arms. Lloyds TSB, which owns more than 60 per cent of Abbey, and which reports its own figures tomorrow, rose 7½ to 335p.

Insurance broker Oriel jumped 39 to 188p on speculation about a possible agreed bid from Aon at between 225p and 250p a share. Oriel said it had received tentative approaches but no formal offer.

Shares in Anglo-Dutch consumer group Unilever fell 17 to 1273p in busy trading of 4.2m, amid fears of a detergent price war following reports that its global rival Procter & Gamble had launched a price war against own label rivals.

Reports of P&G's price war against own label rivals hit McBride, the own-label household products group floated last July which issued a profits warning last month.

The shares fell to a new low after they gave up 5½ to 134p, making it the worst performer in the FT-SE Mid 250 index. Volume at 2.5m was above average levels.

Leading conglomerate Hanson slipped to a new low following first-quarter results broadly in line with City expectations. The shares, which have fallen 15 per cent since last month's announcement of demerger plans, finished 3¼ cheaper at 180¼p. Turnover was again above average, at 28m shares.

A five-year ban on Singapore power supply contracts left electrical and cables group BICC off 5 at 278p in nominal trading volume.

Virtual reality group Superscape VR continued to power upwards. The shares, up 61 to a new high of 600p, have advanced almost 30 per cent in two days following news of a marketing deal with US computer giant IBM.

Building materials leader Redland was the Footsie laggard, sliding 8 to 411p following news of dull sales at big German subsidiary, Braas. The shares have had a strong run lately. Blue Circle, also recently in favour, retreated 6 to 350p.

Abbey National improved 6 to 591p, with SBC Warburg turning buyer. The broker pointed out that Abbey's shares had shown big underperformance against the sector and market this year.

Warburg was also responsible for a rise in Standard Chartered. The shares put on 10 at 602p as the broker reiterated its buy stance on the stock.

Reuters Holdings closed 17 up at 692p, making a gain of more than 7 per cent over the past two days, on hopes of either a share buyback or special dividend.

There is a belief in the market that the company could return up to £500m to shareholders, representing some 5 per cent of the issued equity capital.

The hope value adds to very well received full-year profits that have prompted a range of forecast upgrades by analysts. Panmure Gordon is believed to be at the top of the range with a 1996 forecast of £685m and £770m for 1997. Henderson Crosthwaite has raised its current year forecast by £20m to £670m and next year's by £40m to £750m.

Several radio stocks were boosted by a recommendation from Panmure Gordon. Capital Radio, seen as the media team's core buy gained 5 to 641p while USM-quoted GWR jumped 15 to 211p.

Dealing for a US client was cited as the reason for heavy volume of 15m shares in retailer Sears. The shares eased a half-penny to 94½p.

Profit-taking in Cadbury Schweppes saw the shares give up gains made earlier this week following a broker's recommendation. They closed 10 off at 521p.

New issue Clubhaus, a golf course operator which was placed at 7.5p, ended its first full day of trading at 8p.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 14	Feb 13	Feb 12	Feb 9	Feb 8	Yr ago	*High	*Low
Ordinary Share	2738.7	2748.7	2738.3	2727.7	2724.1	2334.1	2768.2	2238.3
Ord. div. yield	3.84	3.81	3.82	3.84	3.84	4.53	4.73	3.76
P/E ratio net	17.12	16.96	16.89	16.84	16.84	17.48	21.33	15.35
P/E ratio nil	16.90	16.75	16.68	16.63	16.62	16.65	22.21	15.17

*For 1995/96. Ordinary Share Index since compilation: high 2768.2 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2748.6	2742.1	2746.7	2748.6	2743.1	2746.0	2745.2	2743.6	2741.2	2749.0	2736.7

	Feb 14	Feb 13	Feb 12	Feb 9	Feb 8	Yr ago
SEAQ bargains	31,652	31,795	32,514	30,926	31,581	22,584
Equity turnover (£m)†	-	2064.8	1555.0	2003.7	1935.4	1568.8
Equity bargains†	-	37,247	38,482	33,616	37,060	31,657
Shares traded (m)†	-	759.1	622.2	843.0	703.7	579.6

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	584	Total Highs	119	Total contracts	36,498
Total Falls	588	Total Lows	30	Calls	19,308
Same	1637			Puts	17,190

Feb. 14 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3745.0	3746.0	-7.0	3759.0	3739.0	11328	61257
Jun	3759.5	3750.5	-8.5	3759.5	3754.5	426	2618
Sep	-	3766.0	-7.0	-	-	0	267

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4175.0	+5.0	-	-	0	3311

■ FT-SE 100 INDEX OPTION (LIFFE) (*3748) £10 per full index point

	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 5,125 Puts 5,128

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 3,861 Puts 3,393 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	6.28	6½	5¾	†Ballynatray	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
120	F.P.	24.2	125	115	Century Inns	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7½	F.P.	19.6	8½	[illegible]	Clubhaus	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 13	% chg on day	Feb 12	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	2336.37	+0.4	2328.61	1688.13	1.46	-	2829.73	1688.31
■ Regional Indices								
Africa (16)	3185.89	-0.9	3186.52	2877.63	2.88	35.19	3553.86	2272.74
Australasia (5)	2867.38	+0.0	2866.13	1693.75	2.16	41.30	2927.34	1831.05
North America (12)	2082.22	+1.2	2082.62	1382.43	0.85	81.83	2186.39	1382.43

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FT-SE Actuaries Share Indices — The UK Series

	Feb 14	Day's chge%	Feb 13	Feb 12	Feb 9	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3745.0	-0.1	3747.5	3728.5	3718.3	3074.9	3.86	2.02	16.08	9.81	1500.99
FT-SE Mid 250	4161.7	----	4160.3	4152.2	4151.9	3463.2	3.53	1.74	20.41	23.80	1646.67
FT-SE Mid 250 ex Inv Trusts	4168.9	----	4167.1	4159.4	4158.8	3463.5	3.66	1.79	19.09	28.14	1653.38
FT-SE-A 350	1865.9	----	1866.7	1857.8	1853.7	1535.9	3.79	1.98	16.84	6.12	1630.79
FT-SE-A 350 Higher Yield	1865.4	-0.2	1868.3	1858.9	1852.4	1568.1	4.62	1.82	14.89	6.65	1270.20
FT-SE-A 350 Lower Yield	1871.3	+0.1	1870.0	1863.8	1860.0	1605.5	2.90	2.20	19.57	5.89	1281.55
FT-SE SmallCap	2033.28	+0.1	2030.38	2026.54	2025.50	1719.71	3.09	1.82	22.16	3.85	1646.91
FT-SE SmallCap ex Inv Trusts	2006.77	+0.2	2003.72	2001.84	1998.12	1696.69	3.31	1.91	19.74	3.95	1634.35
FT-SE-A ALL-SHARE	1841.04	----	1841.65	1833.33	1829.38	1518.36	3.73	1.95	17.16	5.65	1534.49

■ **FT-SE Actuaries All-Share**

	Feb 14	Day's chge%	Feb 13	Feb 12	Feb 9	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3310.88	+0.2	3304.22	3293.58	3282.38	2675.51	3.68	1.61	21.15	0.00	1393.11
12 Extractive Industries(6)	4265.56	-0.7	4294.99	4240.12	4183.27	3446.72	3.72	2.39	14.06	0.00	1223.15
15 Oil, Integrated(3)	3361.06	+0.2	3355.07	3351.89	3319.04	2691.72	3.60	1.46	22.47	0.00	1449.89
16 Oil Exploration & Prod(15)	2157.76	+2.2	2111.24	2095.69	2101.89	1919.99	2.28	1.46	37.56	0.00	1260.77
20 GEN INDUSTRIALS(276)	2018.12	-0.4	2025.61	2019.39	2010.56	1818.77	4.10	1.87	16.33	1.99	1084.70
21 Building & Construction(34)	1053.91	----	1053.65	1054.92	1050.93	942.33	3.80	2.09	15.72	0.36	868.59
22 Building Matls & Merchs(29)	1892.21	-0.3	1897.85	1891.38	1872.64	1735.37	3.96	2.03	15.56	0.61	939.39
23 Chemicals(23)	2418.92	-0.2	2423.55	2438.27	2432.78	2194.04	4.05	1.88	16.40	0.91	1126.85
24 Diversified Industrials(21)	1756.55	-0.6	1767.64	1765.21	1765.63	1816.73	5.62	1.49	14.94	3.32	962.21
25 Electronic & Elect Equip(36)	2313.95	-0.5	2325.77	2303.36	2274.93	1880.48	3.13	1.95	20.48	2.04	1188.20
26 Engineering(71)	2253.71	-0.2	2258.80	2252.19	2246.20	1738.22	3.31	2.24	16.87	3.48	1351.04
27 Engineering, Vehicles(13)	2605.48	-0.3	2613.70	2618.95	2606.17	2122.48	3.93	1.26	25.24	0.29	1328.55
28 Paper, Pckg & Printing(26)	2647.40	-0.6	2663.49	2619.77	2610.39	2707.21	3.77	2.53	13.12	0.39	1086.08
29 Textiles & Apparel(19)	1465.51	----	1465.60	1456.04	1449.96	1489.18	4.75	1.79	14.69	0.00	878.95
30 CONSUMER GOODS(81)	3642.79	-0.5	3660.03	3641.75	3645.37	2862.70	3.78	1.76	18.00	7.79	1324.63
32 Alcoholic Beverages(9)	2818.70	-0.4	2829.05	2814.26	2805.49	2566.77	4.31	1.87	17.36	28.48	1007.43
33 Food Producers(23)	2556.84	-0.7	2575.82	2568.86	2565.81	2356.78	4.19	1.73	17.20	4.53	1135.84
34 Household Goods(15)	2616.79	-0.9	2641.30	2639.53	2632.80	2548.64	3.65	2.15	15.98	1.96	983.23
36 Health Care(20)	1945.78	+0.7	1933.11	1938.77	1942.84	1650.78	2.83	1.77	28.88	2.09	1166.45
37 Pharmaceuticals(13)	3210.52	-0.3	3228.03	3185.36	3210.46	3524.64	3.14	1.69	23.54	0.05	1740.28
38 Tobacco(1)	4769.11	-1.0	4815.70	4819.93	4798.75	3748.60	5.03	1.94	12.81	0.00	1153.79
40 SERVICES(233)	2312.91	+0.2	2307.94	2298.20	2295.33	1854.44	2.99	2.09	19.57	12.94	1191.05
41 Distributors(32)	2807.68	-0.4	2297.85	2807.02	2808.36	2254.03	3.60	1.75	18.92	0.00	949.07
42 Leisure & Hotels(22)	2851.43	+0.3	2843.02	2820.87	2821.60	2111.73	2.64	1.84	22.04	104.50	1516.47
43 Media(45)	3793.40	+0.9	3759.48	3713.42	3704.58	2710.76	2.22	2.12	26.61	11.48	1361.92
44 Retailers, Food(15)	1918.31	-0.3	1924.67	1935.20	1937.61	1770.16	3.81	2.41	13.64	2.67	1002.85
45 Retailers, General(43)	1821.72	-0.3	1827.34	1917.86	1917.77	1527.97	3.09	2.24	18.06	5.57	1068.47
47 Breweries, Pubs & Rest.(24)	2609.59	-0.4	2972.82	2962.72	2968.18	2157.28	3.36	2.06	18.01	15.46	1411.11
48 Support Services(40)	2028.25	-0.9	2010.32	2002.45	1999.50	1473.87	2.30	2.62	21.40	3.39	1277.65
49 Transport(21)	2302.50	+0.4	2294.14	2285.80	2284.95	2215.18	3.78	1.39	23.86	3.84	947.15
60 UTILITIES(33)	2466.05	-0.2	2472.09	2464.82	2442.45	2366.96	5.03	2.01	12.35	27.33	1043.17
62 Electricity(17)	2735.87	-0.7	2775.57	2749.87	2736.48	2482.21	5.04	2.60	9.55	105.57	1334.21
64 Gas Distribution(2)	1613.35	+0.2	1610.16	1603.76	1610.77	2050.76	7.43	1.04	16.18	0.00	809.44
66 Telecommunications(7)	2029.88	----	2030.36	2014.89	1996.76	1981.91	4.16	1.77	17.00	0.00	918.76
68 Water(13)	2097.57	-0.4	2105.68	2097.33	2096.60	1791.61	5.62	2.60	8.26	3.61	1137.48
69 NON-FINANCIALS(667)	1944.16	-0.1	1946.87	1937.79	1932.57	1642.42	3.78	1.89	17.48	7.67	1455.76
70 FINANCIALS(105)	2935.73	+0.4	2922.96	2910.40	2909.78	2154.60	3.86	2.32	13.96	0.82	1020.16
71 Banks, Retail(9)	4174.47	+0.8	4143.14	4114.64	4118.64	2684.60	3.59	2.60	13.40	0.00	1040.70
73 Banks, Merchant(6)	3479.32	-0.4	3493.97	3478.70	3431.10	3111.22	2.69	2.41	19.38	0.00	1090.74
74 Insurance(24)	1393.67	-0.7	1403.66	1407.58	1414.29	1209.48	5.24	2.69	8.89	0.06	1021.78
75 Life Assurance(6)	2520.78	+0.6	2498.94	3492.03	3476.63	2348.69	4.89	1.80	14.49	0.00	1434.37
77 Other Financial(23)	2549.21	+0.3	2542.79	2543.10	2538.45	1806.49	3.96	1.53	20.60	0.00	1454.53
79 Property(41)	1453.67	----	1453.46	1446.66	1446.50	1371.53	4.30	1.51	18.77	1.00	1429.82
80 INVESTMENT TRUSTS(127)	3157.82	----	3158.05	3150.25	3150.52	2627.47	2.11	1.05	56.21	6.43	1095.07
89 FT-SE-A ALL-SHARE(902)	1841.04	----	1841.65	1833.33	1829.38	1518.36	3.73	1.95	17.16	5.65	1534.49
FT-SE-A Fledgling	1146.48	+0.1	1144.96	1144.20	1143.80	981.99	2.95	2.23	19.03	2.68	1187.20
FT-SE-A Fledgling ex Inv Trusts	1141.78	+0.1	1140.20	1139.48	1136.73	983.34	3.23	2.40	16.08	2.84	1181.63

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3753.4	3747.6	3751.7	3751.1	3745.8	3747.7	3748.5	3749.7	3745.1	3753.4	3744.7
FT-SE Mid 250	4158.9	4158.5	4162.2	4161.6	4161.7	4160.5	4160.3	4161.8	4162.8	4163.9	4157.9
FT-SE-A 350	1868.9	1866.8	1868.0	1868.5	1868.3	1866.9	1867.5	1867.1	1867.3	1868.9	1865.5

Time of FT-SE 100 Day's high: 8.30am Day's low: 4.26pm. FT-SE 100 1995/96 High: 3781.3 (2/2/96) Low: 2954.2 (23/1/95)

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1061.9	1058.0	1060.8	1058.8	1059.2	1060.3	1061.1	1061.1	1061.7	1062.1	1062.5	-0.4
Pharmaceutcls	5166.8	5154.1	5165.2	5161.9	5151.4	5156.6	5165.8	5166.9	5161.4	5153.8	5171.2	-17.4
Water	2104.5	2104.2	2104.3	2097.9	2097.1	2091.8	2090.4	2091.2	2091.2	2090.4	2098.6	-8.2
Banks, Retail	4233.4	4230.2	4229.4	4221.5	4215.9	4224.6	4232.9	4230.6	4227.7	4229.7	4198.0	+31.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from FT-SE International Ltd., The Podium, St Alphage House, 2 Fore Street, London, EC2Y 5DA. The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1996. All Rights reserved. "The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DEMERGER: Ex-Lands to become Ex-Lands Properties & Clubhaus (Fledgling)

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 14 / Sch)

BELGIUM/LUXEMBOURG (Feb 14 / Frs.)

CZECH REP (Feb 14 / Koruna)

DENMARK (Feb 14 / Kr)

FINLAND (Feb 14 / Mkk)

FRANCE (Feb 14 / Frs.)

GERMANY (Feb 14 / Dm.)

GREECE (Feb 14 / Drachma)

ITALY (Feb 14 / Lira)

NETHERLANDS (Feb 14 / Fls.)

NORWAY (Feb 14 / Kroner)

POLAND (Feb 14 / Zloty)

PORTUGAL (Feb 14 / Escudo)

SPAIN (Feb 14 / Pts.)

SWEDEN (Feb 14 / Kronor)

SWITZERLAND (Feb 14 / Frs.)

TURKEY (Feb 14 / TK Lira)

PACIFIC

JAPAN (Feb 14 / Yen)

HONG KONG (Feb 14 / H.K.$)

INDONESIA (Feb 14 / Rupiah)

MALAYSIA (Feb 14 / MYR)

NEW ZEALAND (Feb 14 / NZ $)

SINGAPORE (Feb 14 / S$)

SOUTH KOREA (Feb 14 / Won)

TAIWAN (Feb 14 / TW $)

THAILAND (Feb 14 / Baht)

AUSTRALIA (Feb 14 / Aust$)

AFRICA

SOUTH AFRICA (Feb 14 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 14 / Can $)
4 pm close

MONTREAL (Feb 14 / Can $)
4 pm close

INDICES

	Feb 14	Feb 13	Feb 12	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	(u)	17087.44	17080.64	18181.66	31/1/96	9631.09	9/3/95
Australia							
All Ordinaries(1/1/80)	2300.8	2289.7	2263.3	2300.80	14/2/96	1823.30	8/2/95
All Mining(1/1/80)	1037.0	1031.5	1026.6	1058.59	2/2/96	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	375.09	377.06	377.02	386.42	2/1/95	328.50	27/10/95
Traded Index(2/1/91)	1055.13	1064.24	1062.87	1094.96	7/2/96	882.15	23/10/95
Belgium							
BEL20(1/1/91)	1661.61	1663.44†	1668.71	1718.74	1/2/96	1271.63	9/3/95
Brazil							
Bovespa(29/12/83)	(u)	53856.0	53390.0	54168.00	2/2/96	23382.06	9/3/95
Canada							
Metals Minls♦(1975)	(u)	5240.85	5304.88	5370.38	8/2/96	3808.63	1/3/95
Composite♦(1975)	(u)	5045.31	5049.87	5049.87	12/2/96	3991.41	30/1/95
PortfolioSS(4/1/83)	(u)	2479.65	2485.42	2498.57	8/2/96	1953.36	30/1/95
Chile							
IGPA Gen♥(31/12/80)	(u)	5600.43	5615.63	6963.16	11/7/95	4576.80	9/3/95
Denmark							
CopenhagenSE(3/1/83)	390.67	391.35	389.21	391.35	13/2/96	330.81	29/3/95
Finland							
HEX General(28/12/90)	1824.70	1820.06	1823.65	2332.22	14/9/95	1555.30	28/3/95
France							
SBF 250(31/12/90)	1318.04	1328.95	1320.86	1338.17	1/2/96	1154.41	13/3/95
CAC 40(31/12/87)	1958.38	1983.33	1967.67	2024.08	1/2/96	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	865.52	868.93	865.31	882.59	1/2/96	708.87	30/3/95
Commerzbank(1/12/53)	2513.2	2522.7	2515.2	2589.90	31/1/96	2018.70	30/3/95
DAX‡(30/12/87)	2427.07	2433.91	2428.05	2470.14	31/1/96	1910.95	28/3/95
Greece							
Athens SE(31/12/80)	976.29	973.30	973.57	986.39	22/1/96	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	11364.46	11200.19	11256.59	11484.12	5/2/96	6967.93	23/1/95
India							
BSE Sens.(1979)	3581.00	3527.94	3471.78	3932.89	2/1/95	2828.08	25/1/96
Indonesia							
Jakarta Comp.(10/8/82)	590.20	584.82	577.47	592.92	6/2/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2305.49	2318.91	2303.97	2334.87	31/1/96	1813.89	23/1/95
Italy							
Banca Comm Ital(1972)	612.13	626.13	624.87	680.54	10/2/95	547.79	5/12/95
MIB General(2/1/95)	[illegible]	1065.0	1059.0	1092.00	9/2/96	982.09	15/1/96
Japan							
Nikkei 225(16/5/49)	20943.59	20784.23	(c)	21118.36	8/2/96	14485.40	3/7/95
Nikkei 300(1/10/82)	302.36	300.83	(c)	367.98	5/1/96	222.28	13/6/95
Topix(4/1/68)	1617.41	1610.28	(c)	[illegible]	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2103.62	2102.65	(c)	2130.68	4/1/95	1441.90	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1089.96	1084.23	1059.67	1086.04	5/6/95	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	2920.72	2960.67	3101.82	2/2/96	1447.82	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	567.5	568.1	559.3	567.50	14/2/96	422.90	23/3/95
CBS All Shr(End 83)	343.6	342.8	338.5	343.60	14/2/96	265.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2085.36	2092.04	2084.62	2206.02	20/10/95	1901.48	5/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1294.28	1288.67	1281.08	1315.20	8/1/96	1036.00	10/3/95
Philippines							
Manila Comp(2/1/85)	2943.89	2905.66	2854.02	2968.12	10/7/95	2196.46	20/11/95
Portugal							
BTA(1977)	2903.6	2890.1	2585.7	2911.60	9/1/95	2412.90	22/11/95
Singapore							
SES All-S'pore(2/4/75)	592.55	591.59	588.23	610.37	5/2/96	472.80	23/1/95
South Africa							
JSE Gold(28/9/78)	1747.8♥	1712.9	1726.0	2023.80	2/1/95	1250.20	30/10/95
JSE Ind.(28/9/78)	8493.5♥	8430.9	8445.4	8739.30	25/1/96	6222.00	31/1/95
South Korea							
KoreaCmpEx‴(4/1/80)	869.97	858.18†	865.12	1027.37	2/1/95	842.72	20/1/96
Spain							
Madrid SE(30/12/85)	330.76	330.92	327.91	331.88	1/2/96	284.86	23/3/95
Sweden							
AffarsvarldnGen(1/2/37)	1819.0	1825.1	1821.0	1872.10	19/9/95	1439.80	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1554.27	1553.33	1552.00	1578.69	4/1/96	[illegible]	13/3/95
SBC General(1/4/87)	1136.92	1135.30	1133.17	1165.89	4/1/96	870.58	13/3/95
Taiwan							
WeightedPr.‴(30/6/66)	4836.39	4857.27	4866.81	7051.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	1379.20	1389.74	1380.71	1472.04	10/7/95	1135.89	18/3/95
Turkey							
Istanbul Comp.(Jan 1986)	51530.1	51632.0	51129.8	54653.90	21/4/95	24844.39	23/1/95
WORLD							
MS Capital Intl$(1/1/70)	759.5*	759.1	760.1	760.10	12/2/96	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1549.07	1557.59	1550.67	1570.74	1/2/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1392.75	1402.15	1391.52	1410.12	2/2/96	1117.34	9/3/95
JCapalDrgns(31/12/88)	(u)	371.51	372.32	380.76	5/2/96	282.07	23/1/95
ING Brngs Emrg(7/1/92)	159.85	159.07	159.27	162.72	5/2/96	117.15	10/3/95

US INDICES

Dow Jones	Feb 13	Feb 12	Feb 9	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5601.23	5600.15	5541.62	5601.23 (13/2/96)	3832.08 (30/1/95)	5601.23 (13/2/96)	41.22 (2/7/32)
Home Bonds	105.92	105.92	105.89	105.92 (12/2/96)	93.83 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2032.67	2021.83	2017.26	2092.11 (5/12/95)	1473.19 (3/1/95)	2092.11 (5/12/95)	12.32 (8/7/32)
Utilities	234.00	234.00	233.09	234.66 (12/2/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5644.94 (5603.76) Low 5590.06 (5474.06) (Theoretical♦)
Day's high 5627.60 (5616.40) Low 5582.57 (5541.38) (Actual♦)

Standard and Poors	Feb 13	Feb 12	Feb 9	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	660.51	661.45	656.37	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials♥	773.90	775.19	768.28	775.19 (12/2/96)	546.28 (3/1/95)	775.19 (12/2/96)	3.62 (21/6/32)
Financial	67.43	67.21	66.83	67.43 (13/2/96)	41.64 (3/1/95)	67.43 (13/2/96)	8.64 (1/10/74)
NYSE Comp.	351.29	351.70	349.44	351.70 (12/2/96)	250.73 (3/1/95)	351.70 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	560.62	562.48	564.01	564.88 (8/2/96)	433.12 (6/1/95)	564.88 (8/2/96)	29.31 (9/12/72)
NASDAQ Comp	1087.22	1085.38	1094.60	1095.38 (12/2/96)	743.58 (3/1/95)	1095.38 (12/2/96)	54.87 (31/10/72)

■ RATIOS

	Feb 9	Feb 2	Jan 26	Year ago
Dow Jones Ind. Div. Yield	2.13	2.19	[illegible]	2.72
	Feb 7	Jan 31	Jan 24	Year ago
S & P Ind. Div. yield	[illegible]	1.91	1.85	[illegible]
S & P Ind. P/E ratio	19.86	19.43	[illegible]	18.06

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Micron Tech	9,680,800	37¼	-1¾
Hanson	7,598,000	14	-⅜
Office Depot	5,845,900	19¼	-⅞
Wal-Mart	4,764,300	22	-¾
Ford Motor	4,144,200	30⅞	+⅛
Texas Insts.	3,940,100	50¾	-1¼
Compaq	3,811,300	49⅞	-1¼
McDonalds	3,784,900	52⅝	-1½
Telfon De M	3,601,400	31⅛	-⅛
Gen Motors	3,529,400	52⅞	+½

■ TRADING ACTIVITY

● Volume (million)	Feb 13	Feb 12	Feb 9
New York SE	444.932	402.224	481.231
Amex	23.74	21.87	27.51
NASDAQ	542.818	506.292	565.307
NYSE			
Issues Traded	3,111	3,094	3,100
Rises	1,089	1,347	1,204
Falls	1,229	949	1,095
Unchanged	813	798	801
New Highs	233	253	254
New Lows	11	13	18

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	661.90	662.70	+0.90	662.75	661.10	103,212	195,899
Jun	668.20	668.50	+0.60	668.70	667.30	4,222	16,755

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	20900.0	21070.0	+200.0	21130.0	20860.0	15,811	151,522
Jun	20860.0	21050.0	+200.0	21110.0	20860.0	3,594	28,763

Open interest figures for previous day.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Feb	1978.0	1962.0	-30.0	1980.0	1961.0	12,219	31,013
Mar	1994.0	1969.0	-30.0	1987.5	1969.0	[illegible]	25,974
■ DAX							
Mar	2430.0	2426.5	-15.5	2441.0	2426.5	19,101	-
Jun	2440.0	2440.0	-12.0	2449.0	2438.0	2,243	-
■ OMX							
Feb	1427.00	1426.00	-3.00	1433.00	1421.50	4,194	21,114
Mar	1435.00	1435.50	-5.50	1441.50	1430.00	662	3,893
■ SOFFEX							
Jan	3251.0	3269.5	+5.5	3269.0	3247.5	8,117	12,827
Feb	3258.0	3272.5	+6.0	3272.0	3258.0	2,733	10,539

‴ Sat Feb 10: Taiwan Weighted Price 4776.03; Korea Comp Ex 875.21. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 14 - 2427.77 -6.30.
† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, February 14, 1996

	Stocks Traded	Closing Prices	Change on day
Toyota Motor Co	12.1m	2320	+20
Mitsubishi Hvy	8.4m	876	+8
Shinko Electric	7.4m	[illegible]	+100
Nippon Stl Corp	7.3m	357	
Kyokuyo	6.3m	830	+8
Optec Daiich Den	6.0m	[illegible]	+31
Kanto Spl Steel	5.9m	679	+73
Kawasaki Hvy Ind	5.3m	514	+6
Tokyu Car Corp	5.3m	780	+88
Koa Oil Co	4.7m	1560	+120

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $. Toronto & Montreal highs/lows are now yearly rather than daily.

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4 pm close February 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	12⅛	AAR	0.48	2.4	24	81	20⅛	20	20	-⅛
46¼	35	AMP x	1.00	2.3	22	3390	43⅞	42¾	43⅛	+⅝
83¾	53⅜	AMR			33	8594	83⅞	81⅝	82¾	+1⅛
50½	36⅜	ASA x	2.00	4.1	32	1249	49	47⅛	49	+1¼
44¾	30¾	AbbtL	0.96	2.2	20	7352	44	42½	42⅞	-⅞
18⅞	12	Abitibi Pr	0.40	2.4	8	3839	17	16¾	16¾	-⅛
28½	21	ABM Ind	0.70	2.5	15	67	28⅛	28⅛	28⅛	-⅛
17½	13⅛	Acptnceln			10	53	15	14¾	15	
50⅞	21⅞	ACE Ltd	0.56	1.2	11	1189	48⅝	47⅞	47⅞	-1
9⅞	8⅛	ACM Gvt In x	0.90	9.2	8	300	u9⅞	9¾	9¾	
7⅞	6½	ACM GvOpp x	0.66	8.5		242	7¾	7⅝	7¾	
7½	5¾	ACM Gvt Sp x	0.75	10.7		219	7⅛	7	7	-⅛
9⅛	7¼	ACM Gvt Se x	0.90	10.0		3085	u9⅛	8⅞	9	+⅛
9½	7⅝	ACM Man x	0.90	9.9		181	9¼	9⅛	9⅛	-⅛
29¼	10¼	AcmeClv x	0.52	2.6	4	120	19⅞	19⅝	19⅝	+⅛
38¾	7	Acme Elect			58	162	7½	d7	7	-⅜
34½	23¾	Acordia	0.72	2.5	15	5	28¼	28¼	28¼	
16¾	10⅛	Acuson			45	853	14⅝	14	14½	+⅜
19⅝	15⅝	Adams Expr	0.36	1.9	0	301	19⅜	19¼	19⅜	+⅛
38⅞	16⅛	AdvMic			7	5252	20¾	20⅛	20¼	-¼
10¼	5	Advest Grp	0.16	1.6	10	142	u10¼	10	10	-⅛
27½	16½	Advo Inc	0.10	0.5	22	753	21¾	21½	21⅝	+⅛
46¾	24.80	Aegon	1.28	3.0	16	23	43¼	43	43⅛	+⅝
5⅞	3⅜	Aerflx			8	2096	4⅝	4	4⅛	+⅜
76¾	46¾	AetnaL	2.76	3.8	35	4422	74¾	72⅞	73¼	-1
49½	31⅞	Aflac x	0.52	1.1	14	2391	48⅝	47⅝	47⅝	+⅛
28⅜	16	Ahmnsn	0.88	3.7	7	4168	24½	23⅝	23⅝	-½
58½	43⅞	AirPrC	1.04	2.0	15	5170	54	52⅜	52⅜	-1⅝
29½	18⅜	Airbrne Frt	0.30	1.2	24	498	25⅝	25¾	26	
37⅛	19⅝	Airgas Inc			31	633	37	36⅝	36⅞	+⅛
18	13⅜	Airlease	2.00	11.3	12	31	17⅞	17¾	17¾	-⅛
35⅝	24	AirTch			118	7834	32⅜	31⅝	31⅞	-⅜
21⅜	13½	Alaska Air	0.20	1.0	16	1486	20⅝	20¼	20½	+½
26½	17⅛	Albany Int	0.40	2.1	13	216	19¾	19⅛	19¼	+⅛
20	12¼	Albrtsn	0.22	1.2	16	236	19¼	18⅞	19⅛	
39⅜	25⅞	AlbCulB x	0.36	1.0	19	440	38	37¼	37⅝	+⅝
36	23	AlCulvr A x	0.36	1.1	17	1053	33½	33	33⅛	+½
36⅝	27¼	Albtsn x	0.52	1.5	19	6488	35⅞	35	35¾	-⅛
36⅝	23⅜	AlcnAl	0.60	1.9	13	1058	32	31½	31⅝	-¼
47½	31	AlcoSt	0.56	1.2	49	1554	45½	44¾	45⅛	-⅛
60¾	29½	AlexBrown	0.80	1.6	8	855	54	53⅛	53⅝	+½
26⅜	18	AlexAl	0.10	0.5	15	689	20¼	19¼	19⅜	-⅞
23	16⅜	Allegh Lud	0.52	2.6	12	867	20⅛	19⅜	19⅝	-¼
30⅞	21½	AllegP	1.68	5.6	15	2305	u30⅞	30¼	30¼	-⅛
39⅜	16⅛	Allen Con	0.20	0.9	19	801	21⅝	20⅞	21½	-¼
38⅝	25¾	Allergan x	0.48	1.3	34	994	37⅛	36⅝	36⅝	-⅜
24⅜	15⅜	Allnce Cap	1.82	7.7	13	291	23⅞	23⅜	23⅝	-⅛
11⅜	8⅜	Allnce Gl	0.18	1.6		54	11¼	11⅛	11⅛	-⅛
34¾	23½	Ald Irish	1.11	3.3	11	39	33⅝	33¼	33⅝	+⅝
55¾	33⅜	AldSig	0.80	1.6	18	7428	55⅛	53¾	54⅞	+⅝
10⅞	9¼	Allmer	0.84	7.8		104	u10⅞	10¾	10¾	-⅛

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- P - Q -

- R -

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Continued on next page

هكذا أمنة الأصل

4 pm close February 14

NYSE COMPOSITE PRICES

Continued from previous page

- V -

- W -

- T -

- U -

- X - Y - Z -

NASDAQ NATIONAL MARKET

4 pm close February 14

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close February 14

AMERICA

US markets fall back in midsession trade

Wall Street

US shares were lower in midsession trading yesterday, after seven straight record-breaking sessions, as technology issues slipped and the bond and currency markets were also lower, *writes Lisa Bransten in New York.*

At 1pm, the Dow Jones Industrial Average had retreated back below the 5,600 mark, falling 46.97 to 5,554.26. The Standard & Poor's 500 was 5.72 lower at 654.79 and the American Stock Exchange composite lost 1.50 to 559.12. New York SE volume came to 238m shares.

Traders attributed some of yesterday's volatility to Friday's expiry of options and futures on shares and share indices that often leads to jumpy trading. The bond and currency markets were lower as traders awaited economic figures due today.

Technology issues were mixed, with the Nasdaq composite slipping 1.77 to 1,085.45 and the Pacific Stock Exchange technology index 0.6 per cent softer.

Cirrus Logic, which makes semiconductor equipment, shed $3⅝ or 16 per cent to $19⅝ after warning that it expected a loss for the fourth quarter, which ends on March 30. The company also stated that fourth-quarter revenues would fall below those of the third quarter.

Meanwhile, Applied Materials, another maker of semiconductor equipment, reversed most of Tuesday's $1⅝ loss after reporting stronger than expected earnings. The shares put on $1⅝ at $39⅞.

Microsoft, the largest company on the Nasdaq, slipped $¾ to $98⅞, while Intel, the exchange's second largest issue, added $¼ at $57⅞.

On the NYSE, Helene Curtis jumped $10⅝ or 18 per cent to $69⅞ on news that Unilever had agreed to acquire the company for $770m or $70 a share. NYSE-traded American Depositary Receipts of Unilever dipped $1⅞ to $143¼.

Shares in two healthcare companies fell after reporting fourth-quarter earnings. Columbia/HCA Healthcare, the largest hospital management company in the US, shed $1¼ or 2 per cent to $56¾ after posting fourth-quarter earnings of 79 cents a share, a cent below the mean estimate. Shares in the company had gained nearly $3 since the start of the month.

Humana, a health maintenance company, dropped $1⅞ or 7 per cent to $26⅞ in spite of earnings of 30 cents a share, a cent ahead of estimates.

Canada

Toronto turned back from a firm opening as Wall Street's weakness overcame further heavy flows of Canadian pension fund money into the market. The TSE 300 index was 4.15 softer by midsession at 5,041.16 in volume of 42.1m shares.

Inco picked up C$⅝ to C$45 as the market began to discount the possibility that it would launch a competing bid to Falconbridge's C$4bn offer for Diamond Fields Resources.

Diamond Fields, owner of the prized Voisey Bay nickel, copper and cobalt deposit in Labrador, retreated C$⅝ to C$38, while Falconbridge edged C$¼ higher to C$29¼.

SOUTH AFRICA

Equities were supported by a rise in gold bullion above the $400 an ounce level, while some good domestic economic news also helped. The overall index made 14.4 to 6,777.9, the industrials index rose 63.2 to 8,494.1 and the golds index climbed 34.9 to 1,747.8.

Mexico higher in early trading

Mexico City was higher in early trade as bargain hunting followed the market's recent declines. Brokers said that the rise was technical, and that the market was being supported by foreign institutions.

By midsession the IPC index was up 24.24 at 2,944.96. Volume was 21.6m shares.

● ING Barings upgraded the Mexican stock market to buy from a selective buy yesterday, citing cheap valuations and a slowly improving economy as the reasons for its change in stance.

BUENOS AIRES moved lower as the market was weighed down by YPF, the oil group, whose ADRs took a 6.6 per cent fall in early trade on Wall Street.

On Tuesday YPF announced preliminary earnings of $793m in 1995, compared with a $538m profit in 1994.

The Merval index was off 14.12 or 2.6 per cent at 540.14 by midsession.

Analysts said the market was discounting the smooth launch of Argentina's $1bn global bond.

SAO PAULO was also weaker at midsession as investors concentrated on the settlement of futures later in the day. The Bovespa index had declined 860.39 or 1.6 per cent to 52,995.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Feb. 9 1996	% Change over week	% Change on Dec '95	Local currency terms Feb. 9 1996	% Change over week	% Change on Dec '95
Latin America	(248)	522.83	-1.9	+10.8			
Argentina	(31)	885.73	-0.3	+10.3	542,045.06	-0.3	+10.3
Brazil	(68)	396.96	-1.9	+20.1	1,342.02	-1.9	+20.9
Chile	(43)	728.20	-1.7	-2.7	1,194.57	-1.8	-2.1
Colombia[1]	(16)	612.99	+0.6	+2.5	1,110.74	+0.6	+5.8
Mexico	(65)	502.00	-4.5	+10.8	1,620.26	-3.4	+7.8
Peru[2]	(21)	225.06	+4.9	+14.1	323.74	+4.9	+18.6
Venezuela[3]	(5)	382.55	+24.5	+14.7	3,736.77	+33.4	+43.2
Asia	(831)	247.52	-0.8	+6.6			
China[4]	(23)	60.64	+1.8	+12.1	63.59	+1.7	+11.9
South Korea[5]	(145)	125.03	+0.6	-0.7	128.29	+0.5	-0.1
Philippines	(35)	278.70	-5.2	+7.4	351.01	-5.3	+7.0
Taiwan, China[6]	(83)	103.86	-0.6	-7.9	107.16	-0.6	-7.3
India[7]	(76)	87.30	+10.6	+8.6	114.40	+11.0	+14.0
Indonesia[8]	(44)	122.84	-2.2	+12.0	153.09	-2.0	+12.4
Malaysia	(123)	289.71	-1.2	+8.8	272.30	-1.4	+7.2
Pakistan[9]	(25)	284.01	+7.1	+17.0	442.35	+7.1	+17.3
Sri Lanka[10]	(5)	112.26	+0.8	+7.9	130.64	+0.8	+8.1
Thailand	(72)	406.62	-1.7	+8.2	408.16	-1.9	+8.6
Euro/Mid East	(236)	159.67	-1.4	+12.7			
Greece	(47)	253.21	+0.3	+4.8	418.37	-0.0	+8.1
Hungary[11]	(8)	148.01	+5.8	+50.4	252.12	+5.6	+55.8
Jordan	(8)	184.34	+0.2	-0.2	275.09	+0.2	-0.2
Poland[12]	(22)	577.84	+1.7	+35.8	925.56	+1.6	+39.8
Portugal	(26)	120.91	-3.0	+7.0	130.79	-3.3	+10.0
South Africa[13]	(63)	283.34	-2.1	+9.8	213.43	-2.2	+9.9
Turkey[14]	(54)	143.34	-0.1	+37.2	4,316.86	+0.6	+44.4
Zimbabwe[15]	(5)	317.26	+6.3	+15.5	441.31	+6.3	+17.0
Composite	(1117)	301.76	-1.3	+9.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991. (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 2 1993; (15)July 2 1993.

Following a two-week rally which pushed share prices up to record levels on the Caracas stock exchange, some profit-taking has been evident in recent days, writes Raymond Colitt in Caracas.

The Merinvest index peaked on Monday at 149.85, a 50 per cent increase in local currency terms over the previous two weeks. The index yesterday stood at 149.28 shortly before the close.

Some analysts attribute the sudden surge to the sharp fall in interest rates: on central bank paper, they have declined from 50 per cent only a month ago to nearly half that rate at present. According to Mr Louis Pico, vice-president of the financial consultant Banfederal, the collapse of the domestic Brady bond market about three weeks ago caused local investors to seek exposure to the equity market.

Foreign investors have participated in driving up prices. "Institutional foreign investors are rediscovering Venezuela," says Mr Boris Molina, analyst with broker Merinvest. He adds that the market is also riding on a wave of expectations over progress in the government's talks with the IMF regarding a stand-by facility.

Foreigners, too, have been attracted to equities following the depreciation of the bolivar against the US dollar. As a result, brokers say, already low share prices have come down even further in dollar terms.

EUROPE

Milan drops 3.6% as politics turn sour

A painful end to political speculation saw MILAN tumble 3.6 per cent after Mr Antonio Maccanico, the "deeply embittered" prime minister-designate, abandoned his efforts to form a new government following two weeks of intense political negotiation.

The Comit index fixed at 612.13, down 16.00, but the real-time Mibtel index lost 365 to 9,713 as the market awaited indications of whether the country would go to the polls in April, or after its six-month European Union presidency, which ends in June.

"Events of the last 24 hours have ruined the very positive prospects that had been opening up for the financial markets in Italy," said Mr John Stewart at InterEuropa in Milan.

"The most likely prospect now is an early election, but it is hard to see that resolving anything because none of the political parties will emerge with a clear majority. More importantly, this reduces the chances of an early mini budget to introduce tough measures, which would have opened the way for a significant reduction in interest rates." Among blue chips, Fiat was L151 down at L5,192.

Telecoms stocks, long time favourites of foreign investors, were also hard hit. Stet fell L220 to L4.779 and Telecom Italia by L130 to L2,546.

FRANKFURT punished two big blue chips and rewarded another as the Dax index shed 8.32 to an Ibis-indicated 2,437.77, and turnover fell from DM9bn to DM7bn.

Daimler dropped DM13.40 to DM802.50. According to Mr Hans-Peter Wodniok at Crédit Lyonnais in Frankfurt, the company said last week that its estimated DM6bn loss for 1995 could add up to more than that in US GAAP accounting terms; its biggest lossmaker, the Dasa aerospace and defence group, has its annual press conference today.

Siemens lost DM12.55 at DM834 after acknowledging that Singapore's ban on it seeking new government contracts for the next five years could hurt the group. But RWE, the utility based combine, rose DM2.09 or 3.6 per cent to DM60.40 after Bethmann Bank raised it from "hold" to "buy" on its telecoms prospects.

The big loser of the day, once again, was Deutsche Babcock, the troubled engineering group, down a further DM9.40 or 7.5 per cent at DM115.10. A Tuesday meeting left analysts even more worried about its prospects, and yesterday's late news that the construction group Philipp Holzmann was considering taking a stake in Babcock merely left Mr Wodniok expecting a drop in the Holzmann share price today.

PARIS was depressed on a number of counts, including the afternoon decline on Wall Street, and expectations that a further cut in domestic interest rates was unlikely to be seen today. As the Matif and currency markets weakened so did equities, and the CAC-40 index finished 26.95 down at 1,956.38. Turnover was FFr4bn.

Vehicle makers continued to weaken on worries about the European outlook, with Renault a notable faller. It reported 1995 sales figures which demonstrated a deterioration in trading conditions, particularly in the fourth quarter, and the shares fell FFr4.10 or 3 per cent to FFr140.20.

Valeo, the vehicle components maker, also warned that growth in the western European car market was expected to be 2 to 3 per cent this year, against global growth of about 4 per cent. Its shares eased 80 centimes to FFr263.

Paribas receded FFr5.50 to FFr251, with reports circulating that it might report a loss for 1995 of up to FFr4bn.

AMSTERDAM liked Heineken, reacting enthusiastically to its acquisition of a majority stake in a French brewer by pushing the shares up Fl 7.50 to Fl 305. In contrast, Polygram's 1995 earnings report, already discounted, left investors unmoved and the stock 40 cents firmer at Fl 96.10. The latter's parent, Philips, eased 10 cents to Fl 64.80 ahead of its own results today.

The AEX index rose 0.74 to 510.73, down from an intra-session, all-time peak of 515.56. The other excitement was Unilever's $770m recommended cash bid for Helene Curtis; the multinational shed Fl 1.50 to Fl 236.30. Royal Dutch, also with results due today, added Fl 1.70 at Fl 242.80.

ZURICH overcame early weakness to close firmer, but the mood remained cautious as the SMI index rose 6.0 to 3,266.1.

Swissair tumbled SFr19 to SFr999 as the company denied speculation that it was considering withdrawing from its partnership with Sabena, the Belgian airline, which has been hit by a series of strikes.

SMH, the watchmaker, put on SFr7 at SFr736 on improving expectations for its 1995 sales figures, due soon.

BUDAPEST witnessed a 7.5 per cent leap in Primagaz, the gas company, as its shares reached a record Ft5,700. But this sparkling performance was the exception rather than the rule, as investors continued to book profits and the BUX index fell 35.88 to 2,193.59 in turnover of Ft664m.

VIENNA also had its share of excitement. VA Technologie, the engineering group, relinquished Sch55 at Sch1,354 after warning that it faced a decline of up to 20 per cent in earnings for 1996 and 1997 if the government pressed ahead with changes to corporate taxation outlined in last October's budget.

The ATX index drifted off 9.11 to 1,055.13.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Feb 14 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1552.22	1551.79	1550.29	1548.23	1548.61	1549.02	1548.75	1549.07
FT-SE Eurotrack 200	1663.16	1662.68	1662.72	1661.07	1659.96	1661.79	1661.38	1663.40

	Feb 13	Feb 12	Feb 9	Feb 8	Feb 7
FT-SE Eurotrack 100	1557.59	1550.87	1547.77	1546.69	1557.63
FT-SE Eurotrack 200	1663.82	1655.60	1650.50	1655.03	1663.79

Base 1000 (26/10/90); High/day: 100 - 1552.61; 200 - 1663.97 Low/day: 100 - 1547.99 200 - 1659.96 † Partial

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Sydney spurred to two-year high by bid news

Tokyo

The Nikkei average rebounded for the first time in three trading days; investors were encouraged by New York's resilience in spite of weak semiconductor demand, *writes Emiko Terazono in Tokyo.*

The 225 index closed 159.36 higher at 20,943.59, having touched 20,800.08 and 21,041.56.

Volume totalled 450m shares, against 396m. Technical buying and purchases by foreign investors supported the index, while worries over a sell-off of speculative stocks subsided, encouraging individuals to come back into the market.

The Topix index of all first section stocks rose 7.18 to 1,617.41 and the Nikkei 300 by 1.53 to 302.36. Gainers led losers by 602 to 435.

In London the ISE/Nikkei 50 index put on 0.85 at 1,417.30.

Shinko Electric, a machinery maker, rose Y100 to Y681 on mostly speculative buying. Investors hoped that the company's machines which safeguard against fake prepaid cards for pachinko, or Japanese pinball, would boost its earnings. Other speculative favourites were also higher, with Kyokuyo, the fishing company, up Y8 to Y830. The stock rebounded for the first time in five trading days on short-covering by investors who sold the stock on margin.

Foreign buying supported oil refineries and distributors. Nippon Oil gained Y6 at Y663.

Morinaga, bought on the surge in cocoa demand among Japanese consumers, moved ahead Y8 to Y485. Controlling 70 per cent of the market, the company doubled its production from December last year, as consumers rushed to buy cocoa after reports that it was beneficial to health.

In Osaka, the OSE average moved up 39.25 to 23,419.83 in volume of 147.4m shares.

Roundup

Takeover fever hit SYDNEY, which closed at a two-year high following the announcement of Mobil's planned bid for Ampolex. Excited investors left the All Ordinaries index 11.3 stronger at 2,300.8 in turnover of A$703m.

Ampolex soared A$1.05 to A$4.22 after notice of Mobil's planned bid at about A$4.25. Oil and gas majors followed, Woodside rising 21 cents to A$7.26, and Santos by 12 cents to A$4.07, and the sector index put on more than 6 per cent.

HONG KONG turned around after a six-day losing streak on a strong rally in index futures. The Hang Seng index put on 164.27 or 1.5 per cent at 11,364.46 in HK$4.7bn turnover.

Hutchison topped the most active list and jumped 80 cents to HK$50. It had tumbled 70 cents in early trade after dropping HK$1.55 on Tuesday on reports of a downgrade.

HK Telecom, which dipped 5 cents initially on news that the government would require potentially time consuming licensing for its planned video on demand service, subsequently bounced 20 cents to HK$15.95.

KARACHI took its gains to 8 per cent this week, and nearly 45 per cent in a little over three months, as the KSE 100 index rose 64.54 or 3.7 per cent to 1,822.56. Brokers noted selective foreign buying in blue chips: PTCL gained PRs2.40 at PRs39 and Adamjee Insurance PRs14.50 at PRs165.50.

SEOUL saw a technical rebound after four days of falls and rumours that the government planned further deregulation in the financial sector ahead of the country's entry into the OECD.

The composite index rose 11.80 to 869.98 after a strong showing among financial issues. Shinhan Bank climbed Won300 to Won15,700 and Dae Han Fire Insurance added Won1,300 at Won33,300.

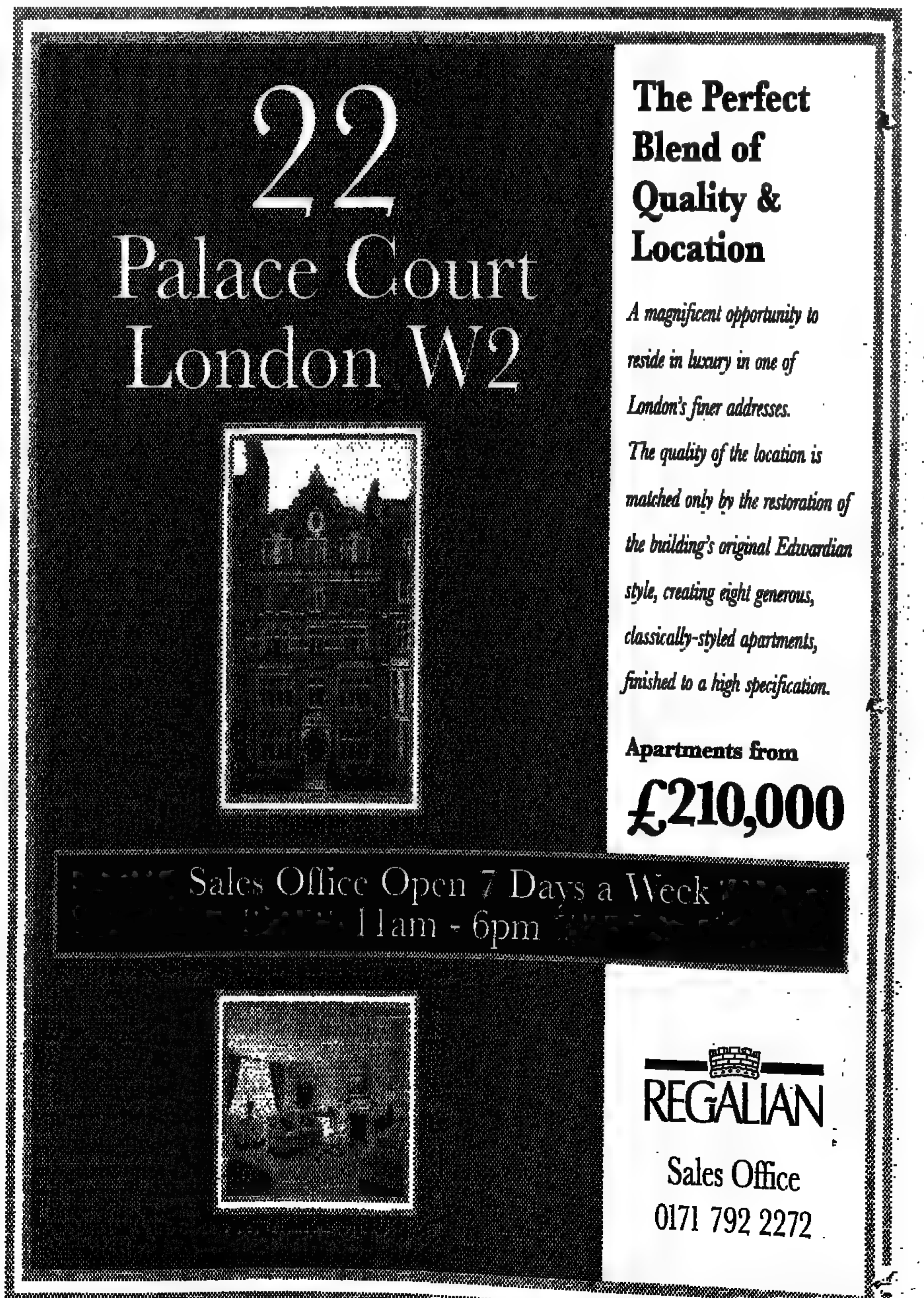
MANILA's third consecutive gain took the composite index up 37.73 or 1.3 per cent to a seven-month peak of 2,943.39. Among the leaders, Ayala Land closed at 37.50 pesos after a record, midsession high of 38.

JAKARTA heavyweights, particularly in mining and infrastructure, were bought. The composite index rose 5.38 to 590.20. Telkom, the most active stock on 4.6m shares dealt, added Rp75 at Rp3,800.

BOMBAY finished higher and the BSE-30 index picked up 53.16 to 3,581.00, having run into strong resistance as it attempted to pierce the 3,600 level. Analysts noted that leading shares dropped in curb deals on rumours, subsequently denied, that the election commission had set a firm date for parliamentary polls.

SHENZHEN's hard currency B index fell below the phychologically important 60-point level, largely as a result of a steep decline by China Vanke, the property group.

The index surrendered 0.54 at 59.61 as Vanke shed HK$0.85 or 29.8 per cent to HK$2, although analysts were unable to explain the drop.



FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY FEBRUARY 13 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY FEBRUARY 12 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	196.50	1.2	191.90	134.21	162.54	175.26	1.4	3.81	195.07	189.07	132.06	160.09	172.91	199.13	158.71	159.62
Austria (26)	184.67	-0.2	176.54	124.68	141.92	141.74	0.2	1.52	185.05	179.21	124.64	141.66	141.47	199.28	168.11	170.63
Belgium (34)	209.68	-0.6	202.72	141.77	161.14	157.16	-0.2	3.35	210.86	204.20	142.02	161.42	157.43	215.61	169.37	169.37
Brazil (28)	169.00	0.9	163.39	114.27	129.88	304.89	1.1	1.52	167.53	162.24	112.84	128.25	301.71	170.25	86.06	129.26
Canada (101)	157.87	-0.3	152.63	106.74	121.32	156.71	-0.3	2.40	158.31	153.31	106.63	121.19	157.31	168.71	125.64	126.06
Denmark (33)	303.80	0.2	293.71	205.41	233.47	236.26	0.6	1.50	303.05	293.48	204.12	232.00	234.81	303.80	252.41	258.73
Finland (24)	183.13	0.1	177.05	123.82	140.73	176.91	-0.1	1.30	183.03	177.25	123.28	140.12	177.13	276.11	171.13	187.97
France (99)	184.67	0.2	178.53	124.86	141.92	147.43	0.8	3.09	184.25	178.43	124.10	141.05	146.33	191.17	161.50	164.30
Germany (60)	170.02	-0.1	164.37	114.95	130.66	130.66	0.2	1.84	170.20	164.88	114.66	130.34	130.34	171.28	142.25	145.81
Hong Kong (59)	436.09	-0.4	421.61	294.86	335.14	432.91	-0.4	3.27	437.74	423.92	294.84	335.11	434.56	440.01	318.35	322.15
Ireland (16)	256.01	0.6	247.51	173.10	196.74	229.17	0.7	3.35	254.47	246.44	171.40	194.81	227.69	262.70	205.44	212.58
Italy (59)	79.21	1.9	76.58	53.56	60.88	92.75	1.8	1.61	77.76	75.31	52.38	59.53	91.15	82.71	65.45	80.45
Japan (482)	151.80	-1.0	146.76	102.64	116.66	102.64	-0.6	0.74	153.31	148.47	103.26	117.37	103.26	164.82	136.05	144.02
Malaysia (107)	513.82	0.4	496.76	347.42	394.87	503.93	0.4	1.66	511.96	495.79	344.83	391.92	501.95	561.96	425.77	485.31
Mexico (18)	1121.26	-1.7	1084.03	758.13	861.68	9274.16	-1.1	1.50	1140.63	1104.61	768.27	873.19	9374.47	1237.14	647.81	1046.89
Netherland (19)	280.70	1.0	271.38	189.79	215.71	212.09	1.5	3.08	277.80	269.02	187.11	212.66	208.99	280.70	222.21	222.21
New Zealand (14)	79.42	0.4	76.78	53.70	61.03	62.63	0.5	4.64	79.07	76.58	53.26	60.53	62.32	85.49	72.35	72.63
Norway (33)	232.23	0.1	224.52	157.02	178.47	203.45	0.5	2.15	231.87	224.55	156.18	177.51	202.53	243.79	202.78	214.40
Singapore (44)	446.57	0.5	431.74	301.94	343.19	291.34	0.6	1.38	444.50	430.46	299.39	340.28	289.54	465.21	342.37	347.47
South Africa (45)	418.37	-0.9	404.47	282.87	321.51	333.52	-0.9	3.57	422.14	408.81	284.33	323.16	336.50	437.76	302.03	304.21
Spain (37)	166.80	0.7	161.26	112.78	128.19	157.20	1.1	3.82	165.62	160.39	111.55	126.79	155.48	168.01	124.10	133.74
Sweden (47)	316.24	0.1	305.74	213.82	243.03	325.75	0.2	1.89	315.78	305.81	212.69	241.74	325.12	334.31	232.23	244.69
Switzerland (38)	223.84	-0.1	216.40	151.34	172.02	167.36	0.2	1.80	224.15	217.07	150.97	171.59	167.02	239.55	168.30	168.30
Thailand (46)	186.51	0.0	180.32	126.11	143.33	182.96	0.0	2.05	186.43	180.54	125.57	142.72	182.89	193.08	130.15	149.20
United Kingdom (205)	231.65	0.7	223.96	156.63	178.02	223.96	0.5	2.96	230.04	222.78	154.95	176.11	222.78	232.53	192.74	195.41
USA (632)	268.59	-0.2	259.67	181.60	206.41	268.59	-0.2	2.14	269.11	260.61	181.26	206.01	269.11	269.11	197.20	197.20
Americas (779)	245.06	-0.2	236.92	165.70	188.33	206.01	-0.2	2.14	245.54	237.79	165.39	187.97	206.40	245.54	180.00	181.05
Europe (731)	203.39	0.4	196.62	137.51	156.30	176.54	0.6	2.94	202.48	196.09	136.38	155.01	175.49	204.32	169.63	171.44
Nordic (137)	279.81	0.1	270.51	189.19	215.03	247.67	0.3	1.84	279.38	270.55	188.17	213.87	247.05	295.02	222.22	233.80
Pacific Basin (833)	164.92	-0.7	159.44	111.51	126.74	114.41	-0.4	1.17	166.14	160.90	111.91	127.19	114.89	171.87	145.95	152.88
Euro-Pacific (1564)	180.84	-0.2	174.83	122.27	138.97	138.00	0.1	2.00	181.16	175.46	122.03	138.70	137.82	183.39	156.37	160.51
North America (733)	261.75	-0.2	253.06	176.98	201.15	261.10	-0.2	2.16	262.26	253.98	176.65	200.77	261.62	262.26	192.77	182.85
Europe Ex. UK (526)	183.48	0.3	177.38	124.05	141.00	149.88	0.6	2.37	182.93	177.15	123.21	140.04	148.93	184.61	152.92	154.59
Pacific Ex. Japan (351)	286.36	0.3	276.85	193.62	220.07	251.47	0.4	2.92	285.47	276.45	192.28	218.53	250.55	291.91	229.25	231.11
World Ex. US (1756)	182.64	-0.2	176.58	123.49	140.36	142.32	0.0	2.04	183.02	177.24	123.27	140.11	142.20	184.71	156.72	160.90
World Ex. UK (2183)	207.04	-0.3	200.17	139.99	159.11	174.09	-0.1	1.90	207.64	201.09	139.86	158.96	174.31	207.64	166.82	169.47
World Ex. Japan (1906)	240.96	0.0	232.96	162.92	185.18	227.17	0.1	2.48	240.88	233.27	162.24	184.40	226.96	240.96	187.55	187.71
The World Index (2388)	209.26	-0.2	202.31	141.49	160.81	178.66	-0.1	2.08	209.69	203.06	141.23	160.51	178.79	209.69	169.20	171.76

Latest prices were unavailable for this edition.

TECHNOLOGY

Worth Watching · Vanessa Houlder

Understanding leptin's ways

The understanding of the genetic factors underlying obesity has moved forward with new research into the workings of leptin, a protein that signals to the brain to stop eating. The work will help scientists look for defects in the pathway in which leptin regulates body weight.

Details of the work on leptin, which was conducted by separate teams of scientists at Rockefeller University in New York and Millennium Pharmaceuticals in Massachusetts, have been published in Nature, Science and Cell.

Rockefeller University: US, tel 212 327 8800; fax 212 327 7420.

Fuel vaporiser catches cold

Researchers at NEL, the former National Engineering Laboratory based in Glasgow, have designed a fuel vaporiser that could reduce the exhaust emissions from engines started up in cold conditions.

The vaporiser, which is designed for gasoline engines with multi-point fuel-injection systems, consists of a conventional fuel injector and a heated tube which evaporates the liquid fuel at temperatures between 90°C and 110°C.

NEL: UK, tel 013552 20222; fax 013552 72946.

Quick way to clean water testing

A simple, quick method for performing chemical analysis on contaminated water has been devised by scientists at the Eindhoven University of Technology in the Netherlands. The research is a response to the increasing numbers of samples that have to be processed as a result of increasingly stringent environmental legislation.

Traditionally, pesticide levels in water are determined using a slow labour-intensive process that involves the extraction of the organic contaminants from a litre sample of water, evaporation and gas chromatography.

The new process requires water samples of just a few millilitres, so cutting down on transport and storage. It also requires 100 times less organic solvent than the conventional procedure.

Netherlands Organisation for Scientific Research: Netherlands, tel 703440713; fax 703850971.

Transponder takes on thieves

An electronic tagging system based on a tiny radio transponder is the latest weapon in the battle against computer chip theft.

The transponder, which is small enough to be attached to a microchip, is placed underneath or inside valuable objects, ranging from office equipment to works of art.

It will activate an alarm when it comes within a few metres of a very low frequency radio signal that can be located near the door of the office building. The device, called Asset Tracker, has been launched by a London-based company, Tag'N'Track.

Tag'N'Track: UK, tel (0)181 996 2100; fax (0)181 995 2422.

Seed collar keeps plants in line

The "timed release" technology devised by the pharmaceutical industry to control the release of drugs has been adapted for agriculture.

PCM Group, a Norfolk-based research company, has developed a seed encapsulation system which incorporates fertiliser, pesticide and fungicide. It believes that the capsules will provide a quick start to germination and will halve the amount of agrichemicals needed by each seed because it will have its own dedicated supply.

It has designed a capsule that can be inserted into the potato seed tuber just before planting, which is capable of bringing the crop forward by two weeks. Tests are also being carried out on the use of a plastic collar at the base of trees, shrubs and vines to provide nutrients.

PCM Group: UK, tel (0)1553 811588; fax (0)1553 810342.

Michiyo Nakamoto on the latest generation of camcorders which are taking Japan by storm

Digital world

As consumer electronics manufacturers have caught on to the excitement over multimedia and embraced the benefits of digital technology, a growing number of their products which used to be analogue are going digital.

The camcorder is no exception. Several Japanese consumer electronics makers including Sony and Matsushita have launched digital camcorders claiming superior picture quality.

Although opinion differs over whether digital video offers better picture quality than analogue video, as far as the statistics go the digital version has an edge over its analogue cousin.

Digital video boasts horizontal resolution of more than 500 lines, compared with more than 400 for S-VHS, the highest grade analogue video. Digital camcorders offer the further advantage that unlike analogue ones there is no loss of quality through reproduction.

The high quality of digitally recorded video is maintained no matter how many times it is dubbed and re-dubbed. Since the sound is also digitally recorded, the same is true for the audio portion of a digital tape.

But what gives the digital camcorder a distinct edge over analogue versions in the age of multimedia is the fact that since they use the same digital language they are interoperable with PCs – one of the key terminals for multimedia services.

Video footage taken with a digital camcorder can be edited on the screen of a PC using special effects such as changing a particular section of video footage from colour to black and white. Or video shots can be combined with data stored in the PC to create unique documents complete with photographs for visual effect.

Among the expanding range of digital camcorders available, JVC's Digital Cybercam – known as the Pocket Movie in Japan – stands out for its small size, which is unmatched by any of its competitors.

The Digital Cybercam is about the size of a 35mm camera, or a Japanese passport, and weighs just 1.1lb (520g) including tape, battery and handstrap. JVC says it is the smallest and lightest camcorder in the world and weighs just half as much as other camcorders on the market.

JVC's ability to shrink the size of the camcorder without significantly sacrificing quality stems from its use of laser drilling technology to put more integrated circuits on a printed circuit board than was previously possible.

Integrated circuits are usually mounted on to printed circuit boards by using a mechanical drill. Laser drilling, which is still in the development phase at most companies, makes it possible to drill holes more closely together and thus to pack more integrated circuits on to a single printed circuit board.

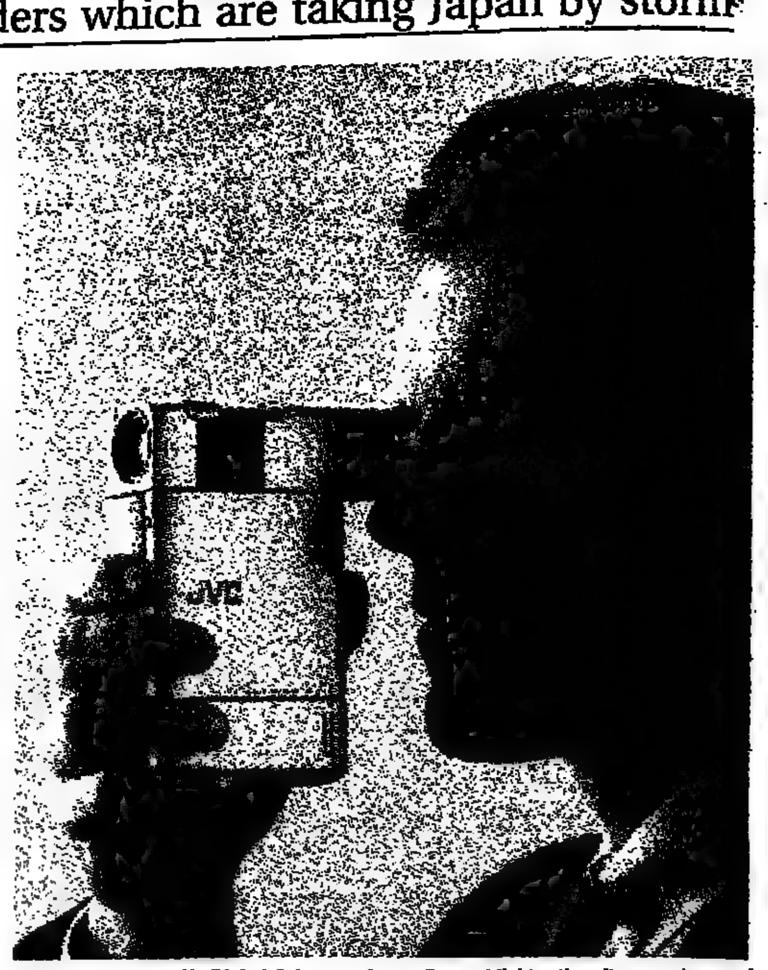
JVC is the first company to have launched a commercial product using laser drilling technology, the company claims. This technology enabled it to pack 1,005 components on just two printed circuit boards. Done in the conventional way, that number of components would take up about six printed circuit boards, says Genichiro Miyazaki, assistant manager of marketing in the company's video products group.

Although it is small, the Digital Cybercam performs more functions than most people will probably be able to use.

Close-up shots can be made by using an optical zoom – much like a regular zoom lens on conventional cameras – which zooms up 10 times. With the use of the digital zoom, however, objects can be enlarged up to 100 times, although this entails a loss of picture quality.

The Digital Cybercam also doubles as a camera, providing snapshots complete with a white border. However, a separate colour printer is necessary to print the photos, a service which conventional photo labs do not provide.

The Digital Cybercam has been a hit in the Japanese market since it was launched in early December and JVC has had to increase production from 10,000 units a month to 15,000 to meet demand. It plans to raise production to 20,000 this spring when it will introduce the camcorder to the US market. In Europe it will be available by the end of the year.



'Pocket Movie': JVC's Digital Cybercam is smaller and lighter than its competitors

A PC arcade near you

Andrew Baxter looks at sophisticated graphics

When it comes to game playing, the personal computer has one thing going for it – it does not swallow coins. But it cannot match the realism and three-dimensional graphics of those pocket-emptying arcade game machines.

The PC is catching up, however, and innovations in game-playing and visualisation products are one of the reasons for the strong growth of the multimedia PC market. Further expansion seems likely following the recent introduction of 3D "multimedia accelerators" which aim to bring highly realistic, arcade-level graphics to the PC.

"We believe that this is the year of 3D on the PC," says William Schroeder, chief executive of US-based Diamond Multimedia Systems. "The PC will be the next logical games platform."

Late last year, the San Jose company launched its Diamond Edge 3D multimedia accelerator, which is aimed at providing the kind of immersive, interactive gameplay that arcade fanatics crave, on a "plug and play" package for a PC running Windows 95, the new Microsoft operating system.

The introduction of 3D multimedia accelerators could transform game-playing in the home, and provide an alternative platform to that of the dedicated games consoles that are plugged into TV sets. These are mainly 2D, although the latest 32-bit machines, such as the Sega Saturn and Sony PlayStation, offer 3D graphics.

According to Schroeder, the PC could capture an increasing share of the video games market, if a 3D multimedia accelerator was added, because of its other advantages over consoles: the PC is a multipurpose machine, is based on open standards rather than a closed, proprietary system, and its performance for a given price tends to rise, which is not the case for games consoles.

Significantly, Japanese-based Sega was involved in the collaboration that helped produce the Diamond accelerator, and its popular Virtua Fighter "beat-em-up" game can be played on the PC with it, using Sega Saturn control pads.

Apart from Diamond's Silicon Valley neighbour Nvidia, which designed the 3D architecture for the multimedia accelerator, the other participant was Europe's SGS-Thomson Microelectronics, which produced the chip that controls it.

The STG 2000, introduced last year, is the first integrated multimedia accelerator chip for the consumer PC, meaning that it combines photo-realistic 3D graphics, video and high-fidelity audio on a single chip; in contrast, current multimedia PCs use separate subsystems for graphics, audio and video, which increases the cost and can create compatibility problems.

Philippe Geyres, general manager of the semiconductor supplier's programmable products group, predicts strong growth for the STG 2000 and its successors, which are likely to have added capabilities. By the end of this year, he predicts, the STG 2000 will be sold directly to PC manufacturers, and by next year it could be on the motherboard – the main circuit board – of PCs.

Schroeder says nearly 100,000 Diamond Edge 3Ds have already been sold in the US and Japan, mainly to the aftermarket but including some sales to original equipment manufacturers. There are two versions, priced at $249 (£166) and $299 in the US.

The advent of 3D multimedia accelerators does not, however, spell the end of dedicated game consoles: at current prices, a PC with the recommended hardware specification for running a 3D multimedia accelerator – a Pentium processor, 16MB of system memory – could cost four to five times as much as the latest games console, even without the accelerator.

Although PC sales are growing rapidly, the installed base of TVs is still larger than that of PCs, and the two markets could co-exist. And PCs with multimedia accelerators could be more of an opportunity than a threat for console producers if, like Sega, they can supply the software.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 15.2.96: Pool purchase price £/MWh	Final Prices for Trading on 18.01.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.11	9.01	9.01
0100	19.46	12.90	13.82
0130	22.17	23.17	24.09
0200	22.17	23.17	24.09
0230	19.45	15.14	16.07
0300	22.17	16.36	17.29
0330	22.17	16.36	17.29
0400	12.45	12.90	13.82
0430	12.36	8.96	9.88
0500	12.36	8.96	9.88
0530	15.13	8.96	8.05
0600	15.13	8.94	8.94
0630	15.13	8.84	8.94
0700	15.00	8.86	9.89
0730	18.52	12.81	13.74
0800	18.10	12.82	13.75
0830	23.00	13.08	14.01
0900	25.68	13.11	14.05
0930	27.87	17.88	18.83
1000	45.18	17.90	18.98
1030	27.69	17.92	18.89
1100	28.55	17.91	18.86
1130	26.40	17.91	18.87
1200	26.82	13.15	14.10
1230	25.27	13.14	14.09
1300	25.28	13.14	14.09
1330	23.65	13.13	14.08
1400	23.15	13.13	14.07
1430	19.94	13.11	14.05
1500	19.64	12.85	13.78
1530	19.56	12.87	13.81
1600	20.26	13.50	14.58
1630	27.53	32.31	34.86
1700	44.33	63.74	71.65
1730	84.54	83.59	91.85
1800	104.95	80.25	87.84
1830	100.67	52.86	58.24
1900	61.98	45.53	47.09
1930	35.26	28.38	29.53
2000	25.84	25.90	26.88
2030	22.89	13.08	14.01
2100	18.81	12.81	13.74
2130	18.49	12.81	13.73
2200	18.25	12.81	13.73
2230	15.13	9.01	9.01
2300	12.11	8.95	8.95
2330	9.13	8.95	8.95
2400	9.10	8.95	8.95

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.88/MWh becomes 1.088p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5.15pm Monday to Friday.

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ARTS

Harvey Keitel (right) and Maia Morgenstern in Theo Angelopoulos's trawl through Balkan history, 'Ulysses' Gaze'

Cinema/**Nigel Andrews**

Symbol-laden odyssey

Some periods in labour are followed by the wrong pattering of tiny feet: the ones that leave a cinema before the end of a momentously conceived, arduously delivered movie. In Cannes I abandoned Theo Angelopoulos' three-hour *Ulysses' Gaze* half way through hero Harvey Keitel's symbol-laden odyssey through time, space and Balkan history. I could no longer bear the sight of an intelligent, pulsating American actor forced to move at snail's pace by the abstractions loaded on him by a once reckonable Greek director (*Days Of 36*, *The Travelling Players*).

The next morning people told me that *Ulysses' Gaze* was the best film in Cannes and a little later it won the Grand Jury Prize.

So – over-hyped infant or fully grown masterpiece? Seen complete in London, it is weirder and more frustrating than either. It never stops growing, yet it shoots past maturity into a kind of infinity-powered portentousness. Angelopoulos combines an epic gaze over a hundred years of Balkan turmoil with a supplementary look at cinema's own centenary. Keitel's American film-maker is obsessed with tracking down the first film ever shot in the Balkans, by the true-life ethnographic Manakis brothers. Pursued by the gnomic arabesques of Angelopoulos' camera, he slogs along snowy roads and icy rivers, from national archive to national archive, across Greece, Macedonia, Bulgaria, Romania and the "former" Yugoslavia.

The film behaves like Alice after her "Drink me" potion. Careless of proportion, it shoots upwards and outwards, cracking roofs and walls. It addresses Communism with a giant, broken statue of Lenin that broods recumbently on a barge Keitel takes to Belgrade. It gives its Dantesque/Homeresque hero three different Beatrice/Penelopes (all played by Maia Morgenstern). It gulps down five years of Romanian history in one flashbacked single-shot scene: a symbolic waltz set in the 1940s home of Keitel's family. And it finally stumbles gasping into the present day, with our hero stopping scurrying citizens in a war-wrecked town with "Is this Sarajevo?"

Late and unexpectedly, as if refreshed by this nanosecond of the ridiculous, the film contracts and composes itself into the sublime. We are among credible human beings instead of ambulant metaphors; with Erland Josephson's haunted old archivist trailing clouds of Bergmanesque complexity. We sense both pain and aching hope, wrapped in the white scarves of Angelopoulos' fog and serenaded by music from the poignantly surreal, ethnically uncleansed band which plays on in a blitzed square. And when unseen rifle shots ring out in the movie's fatal climactic scene, they jolt our hearts and stop our breaths.

Where were these human dimensions in the rest of the movie? It is as if Angelopoulous' gaze, having spent 150 minutes sweeping across a blurred panorama dotted with symbols and theorems, had suddenly been distracted by something close, real, regenerative and profound. *Ulysses' Gaze* becomes a great film at the very moment that it stops trying to be a great film.

★

Oliver Parker's *Othello* could be re-titled "Iago's Gaze." Kenneth Branagh as Shakespeare's villain makes more sense of the bard's sounds than anyone else in this poly-accent cast which includes a French Desdemona, Italian Doge and unidentifiable Benelux Brabantio. But Branagh's real agility is in his silences. He crowns his soliloquies by taking the camera into his confidence for one mute and mocking second that redefines Iago's derisive nihilism for the movie age.

Elsewhere, Laurence Fishburne's Othello grapples with the verse like a man falling under an avalanche, before emerging for a creditable last act. Irene Jacob gives us a touching if tongue-twisted Desdemona. And Michael Maloney suggests that Rodrigo is a psychotic in a false beard. Orson Welles offered just as many impudent novelties in his *Othello*. But there they had the air of ringing volition, while here we feel it is Shakespeare versus the Euro-pudding, with seconds out.

★

A hundred years after the birth of cinema, the world is still undecided on whether an active fantasy life is good or bad. Neither *Jumanji* nor *A Little Princess* deal directly with the psychological fall-out of movies. In the first, two generations of children are terrorised by a board game; in the second an early-century schoolgirl finds refuge in fantasies from her Indian childhood. Yet both films plunder the cinema, from Spielberg to Bollywood, in order to stock the garden of their characters' fantasies.

ULYSSES' GAZE
Theo Angelopoulos

OTHELLO
Oliver Parker

JUMANJI
Joe Johnston

A LITTLE PRINCESS
Alfonso Cuaron

Coldly examined, *Jumanji* has little rhyme and less reason. Why does the antique game of the title keep turning up, buried in chests or attics, to tempt kids of all epochs in a small American town? Why do real animals and catastrophes, from charging rhinos to monsoons and earthquakes, appear at the drop of the dice? And what ever is Robin Williams, comedy's Mr Motormouth, doing in a story designed to keep robbing its characters of the power of speech?

Absurdity has its own momentum. After dressing for early reels in a Robinson Crusoe ensemble with off-the-shoulder banana leaves, Williams spends late reels leaping from peril to peril in a suburban house turned neo-Sumatran jungle.

Logically, we wonder if he and his infant co-players need to keep playing this dangerous game at all. But what rules both game and movie is not logic but the audience's imaginative greed. We demand our fill of digital monkeys and computer-graphic'd elephants. We care not a fig about the characters' lives, so long as they amuse us with screams and metamorphoses, ably assisted by director Joe *Honey I Shrunk The Kids* Johnston.

Fantasy is more sombre in *A Little Princess*, based on Frances Hodgson Burnett's story. Little Sara (Liesel Matthews), raised in India, has been left to the mercies of Miss Minchin's Academy, New York, by her father, off to the first world war trenches. Soon, under the baleful aegis of headmistress Eleanor Bron, she is consorting with rats and starvation, from which her main escape is into gilded fantasy imaginings from the Ramayana.

Slow at first, the film ends by bursting into life just like its heroine. Before that we are consoled with two cherishable paragons of High Gothic: the school itself, a mildewing Addams-style pile crouched in mid-Manhattan, and Eleanor Bron's Miss Minchin. Sporting a white hair-streak and American accent, she bestows a scarified comic elegance on a script that could have been an oversimplified showdown between the twee and the glum.

The week's two no-go areas are a *A Bed Of Roses* and *The Pebble And The Penguin*. The first (PG, Michael Goldenberg) is a TV movie above its station. Riddled with schmaltz, it stars Christian Slater and Mary Stuart Masterson as a soft-edged florist and hardnosed business executive, respectively, who meet and melt in modern New York. The second (U) is a feature-length cartoon from Don Bluth, with Barry Manilow scoring the love tunes for ickily anthropomorphic penguins. If children must be taken somewhere, take them to *Jumanji* or *A Little Princess*.

Opera/**Richard Fairman**

'Aida' rethought

Wry humour and realism jostle in each episode of *The House*, BBC2's fly-on-the-wall series about the Royal Opera House. "We did discuss the idea of doing *Aida* as if the Chippendales were playing a major role in it," suggested Jeremy Isaacs in Tuesday's episode, "it would save a fair bit on costumes". "Yes", replied his worldly director of opera, "but you have to pay actors more to take their knickers off".

A sense of humour must be useful when it comes to mounting a new production of a grand opera like *Aida* on a far-from-grand budget (it was certainly essential for anybody who sat through the opening night in 1994). Actually the ballet, which is the part where the page three men flex their muscles, has been one of the more successful elements of this production from the start, as it unleashes the right kind of Verdian vigour and (semi)-naked aggression.

The rest has undergone a lot of re-thinking since then and, although this *Aida* will never aspire to the monumental scale of Verdi's opera, it does at least have a certain stark simplicity. It cries out for the sort of performance where singers and conductor unite in a well-rehearsed team to focus concentration on the personal drama – but the most one came to hope from Tuesday's revival was that they might agree on the same speeds.

The American soprano Andrea Gruber stepped into the title-role in place of Julia Varady, who is living up to her reputation in Britain as the invisible soprano after cancelling *Nabucco* later this year and now her two appearances as Aida due to bronchitis. Gruber is a generous performer who throws herself into the role with heart and soul, a big and meaty voice, flashing eyebrows and rolling eyes. Subtlety is not her strongest suit. Vocal lines were sliced up into easily digestible morsels with big gulps for breath in between and she is happier singing loudly than on tremulous soft top notes. Still, her passionate involvement was welcome.

The South African tenor Sidwill Hartman, also making his Royal Opera debut, was at the other extreme. His youthful voice is bright and compact, and he keeps everything rigorously under control, singing with exactitude of rhythm and very clear words. The result as yet is rather unyielding, despite the fact that he is a tenor who can sing quietly (he won friends at the start by ending "Celeste Aida" with a high B flat that faded to nothing). Perhaps the voice just lacks expressive colour at the moment, but he is to be encouraged.

It was left open to Nina Terentieva, returning as Amneris, to walk off with the evening. Once past some out-of-tune singing early on, she rose to a powerful delivery of the Judgment Scene, though even there her thick Russian accent rendered the words fairly unintelligible. Gregory Yurisich would make an even stronger Amonasro, if the voice could escape from its present constrictions. Robert Lloyd's compassionate bass is not ideal for Ramfis, though he sang well. Norman Bailey's bass baritone wobbled regally as the King.

With a few more rehearsals Jan Latham-Koenig might have fared better at holding them all together. He has his own distinctive idea of how *Aida* should go, which is generally vibrant and involving, but his tendency to rush when a climax hoves in sight was not helpful. The chorus seemed to prefer the slower tempos of his predecessor and simply stuck with those.

Recital/**Antony Bye**

Amanda Roocroft

Fears that Amanda Roocroft, following the birth of her first child, might cancel her Wigmore Hall recital, as she had done her Covent Garden Arabella, were happily dispelled on Tuesday, when she presented an attractive programme of Haydn, Schubert, Strauss, Falla and Britten with little sign of physical or vocal infirmity.

For a soprano who has leapt to attention on the strength of her Mozart roles – Pamina at Covent Garden, Fiordiligi at Glyndebourne and Munich and for DG under Gardiner following a successful European tour, and a forthcoming Donna Elvira at the Met – Roocroft's voice is surprisingly full and vibrant. Moreover it displays remarkable strength at both ends of the range: her low notes are rich and sonorous, produced with no obvious forcing, and the power of her upper ones should set every Wagnerian's heart quivering.

Wisely she has no Wagnerian engagements lined up, though a move into Verdi's dramatic roles is already underway. As experience has so often shown, voices of this potential at this early stage of their professional life need careful nurturing. So it was good to report that her programme on Tuesday did not exceed her vocal capabilities even when highlighting areas of interpretation on which she needs to work. Haydn's dramatic scena, "Berenice, ce fai", was a case in point, delivered by Roocroft with no lack of confidence, vocal amplitude and technical control but, symptomatically, with little relish for the sound of the words themselves or an awareness of the extraordinary range of emotions contained within the music's relatively modest proportions.

She is at her best when melody alone carries the weight of a song's emotional content. That she is a fine instinctive musician, her deft shaping of Schubert and Strauss affirmed, even when changes in volume rather than the subtle colouring of the voice provided the expressive contrasts. Her bold delivery of Strauss's "Allerseelen" was near flawless, the breadth she brought to Schubert's "Heimliches Lieben" satisfying. Yet at other times the greatest insights came from Malcolm Martineau's piano playing. The introduction to Strauss's "Morgen" was sublimely touching in its expressive hesitations and delicate shading of the melody; with the entry of the voice we returned to earth with quite a bump.

She certainly has the earthiness and bravura needed for Falla's *Seven Spanish Popular Songs*, though as yet her Spanish has not the authentic bite and twang. But her reading of Britten's early song cycle, *On This Island*, was impressive by any standards, from the imperious delivery of "Let the florid music praise" and the agile passagework of "Now the leaves are falling fast" to the pointed, Waltonesque humour of "As it is plenty". British song is an area of the repertoire she would do well to cultivate, as her bracing reading of Parry's "My true love has a heart" as an encore gloriously confirmed – if, that is, the pressures of an international career allow.

Theatre/**Sarah Hemming**

Dead White Males

In Australia, David Williamson's post-pc comedy, *Dead White Males*, has apparently been causing ructions. Temperatures must run higher down under, for while Williamson's play, given its European premiere in Southampton, is certainly playful, provocative and entertaining, it never drawns blood in the same way that David Mamet's *Oleanna* did.

Williamson leaps, with evident relish, into the academic ring to do battle with many-headed -isms and -ologies that prowl the post-structuralist landscape. Principle villain of the piece is Grant Swain, a twinkling tutor in literary theory, who peddles the line that all literature by "dead white males" sustains the ideology of the patriarchal corporate state, scoffs at the suggestion that great classics might reveal truths about human nature and explodes all arguments to that effect with a few well-placed bits of jargon.

His arguments fall on fertile ground in Angela, a sweetly naive first year student, who is soon panting to join him in the cause of essential feminism and multi-culturalism and free herself from her male-dominated manufactured reality. She is a little distracted by the fact that Shakespeare, Swain's main adversary, keeps wandering into her bedroom and issuing forth human truths, but whenever he gets too close for comfort, Swain pops up with a pistol and shoots him.

Things only begin to change when she starts to write a thesis on members of her family and discovers, surprise, surprise, that the issues are not as black and white as Swain would have her believe. She discovers that Mom, a die-hard feminist, is not so tough as she thought; that Grandad, a sullen chauvinist, actually has a tender side, and that Swain is a supercilious philanderer, who poses a far greater threat to her than any of the dead white males he so despises. Chauvinism, she learns, is a snakey operator.

Williamson leaves us in no doubt as to which way he would have us jump in the great debate. All he has to do is wheel on a couple of scenes from Shakespeare that touch at the heart of human experience, and Dr Swain's arguments melt like ice in a fire. Given this, it is a pity that the play does not dig deeper.

His characters are sketchy and so loaded that they make the arguments less resonant than they could be. Grandad practically has "heart of gold" stamped on his forehead, while Swain oozes so much slime you expect to see a trail behind him. Meanwhile poor old Shakespeare seems to have left his talent for witty insight the other side of the grave; on the evidence of the wisdom he spouts here.

The cast play with gusto and Patrick Sandford's production is enjoyably light-hearted, although it could do with a little more polish and confidence to surf the jargon-riddled text. Jeremy Clyde is entertainingly smug as Swain, John Woodvine suitably granite-featured as Grandad, and Claire Price handles the difficult role of naive maiden well.

Continues at the Nuffield Theatre, Southampton to March 2 (01703 671771).

INTERNATIONAL
ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Norddeutsche Philharmonie: with *conductor Gerard Oskamp and* pianist Sergio Tiempo perform *Haydn's Symphony No.49* (La Passione), Chopin's Piano Concerto No.1, *and Dvorák's* Symphony No.9 (From the New World); 2.15pm; Feb 18

BERLIN

CONCERT
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● I Musici di Roma: perform Vivaldi's The Four Seasons, Concerto in A major for two violins, Cello Concerto in C minor, *and* Concerto in D minor for two violins and cello; 8pm; Feb 18

CHICAGO

THEATRE
Shubert Theater
Tel: 1-312-977-1700
● A Midsummer Night's Dream: by *Shakespeare. Directed by Adrian* Noble and performed by the Royal Shakespeare Company. The 19-member cast will be led by Desmond Barrit as Nick/Bottom, Lindsay Duncan as Hippolyta/Titania, and Alex Jennings as Theseus/Oberon; 8pm; Feb 15 (7.30pm), 16, 17 (also 2pm), 18 (3pm)

DRESDEN

OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Les Contes d'Hoffmann: by *Offenbach.* Conducted by Siegfried Kurz and performed by the Sächsische Staatsoper Dresden. Soloists include Sabine Brohm, Annette Jahns and Karl-Heinz Stryczek; 7pm; Feb 17

DUSSELDORF

OPERA
Opernhaus Düsseldorf
Tel: 49-211-133737
● Das Feuerwerk: by P. Burkhard. Conducted by Lucas Höfling and performed by the Deutsche Oper am Rhein; 7.30pm; Feb 17

FRANKFURT

EXHIBITION
Schirn Kunsthalle
Tel: 49-69-2998820
● Expressionistische Bilder. Sammlung Firmengruppe Ahlers: *around 100 paintings,* drawings and prints by German expressionists *from the* Ahlers company collection. Including works by Beckmann, *Kandinsky, Kirchner,* Macke, Nolde and Schmidt-Rottluff; to Feb 18

HAMBURG

CONCERT
Musikhalle Hamburg
Tel: 49-40-346920
● Takacs Quartet: perform string quartets by Haydn, Bartók and Schubert; 8pm; Feb 16

LEIPZIG

OPERA
Oper Leipzig *Tel: 49-341-1261261*
● Flames: by Schulhoff. Conducted by Jörg Kruger and performed by the Oper Leipzig. Soloists include Annelott Damm, Linda Watson, Eliot Palay and Tomas Möwes; 7.30pm; Feb 16

LONDON

AUCTION
Bonhams Tel: 44-171-3933930
● Fine & Rare Vintage Fountain *Pens & Pencils. Part I* of the Collection of Andreas and Jenny *Lambrou: sale of the collection built* together over the last 42 years by Andreas Lambrou, *an international* authority on fountain pens, and his wife Jenny. The collection serves as an illustration of the diversity and beauty of the fountain pen, including an example of each premier model; 10am; Feb 16
CONCERT
Barbican Hall Tel: 44-171-6388891
● Royal Philharmonic Orchestra: with conductor Ilya Musin, perform Mozart's Symphony No. 40, Prokofiev's Symphony No. 1 and Rimsky-Korsakov's Capriccio Espagnol; 7.30pm; Feb 17
Wigmore Hall Tel: 44-171-9352141
● András Schiff: the pianist performs works by Haydn and Bartók; 7.30pm; Feb 17
DANCE
Royal Opera House - Covent Garden Tel: 44-171-2129234
● The Royal Ballet: perform the choreographies Rhapsody by Frederick Ashton to music by Rachmaninov and The Invitation by *Kenneth MacMillan to music* by Seiber, and new works by Ashley *Page and Matthew Hart to music by* Liszt and Britten; 7.30pm; Feb 17
POP-MUSIC
Royal Albert Hall
Tel: 44-171-5823861
● Eric Clapton: performance by the British guitarist/singer; 7.30pm; from Feb 17 to Mar 3

MILAN

THEATRE
Teatro Carcano
Tel: 39-2-55181377
● Uno, Nessuno e Centomila: by *Pirandello. Directed by Marco* Mattolini, starring Flavio Bucci, *Claudio Angelini, Stefania Barca,* Pietro Montandon, Massimo Lello *and Alessia Innocenti; Tue - Sat* 9pm, Sun 3.30pm; to Feb 18

NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● Peter Serkin: the pianist performs works by Wolpe, Beethoven and Brahms; 3pm; Feb 18
THEATRE
Roundabout Theatre
Tel: 1-212-575-3030
● The Father: by Strindberg, in a new adaptation by Richard Nelson. Directed by Clifford Williams and performed by the Roundabout Theatre Company. The cast includes Frank Langella and Gail Strickland; 7pm, Wed & Sat also 2pm; to Feb 18

PARIS

CONCERT
Salle Pleyel *Tel: 33-1 45 61 53 00*
● Orchestre National *d'Ile-de-France: with conductor* Yoav Talmi and pianist Philippe Bianconi perform works by Rachmaninov, Prokofiev and Stravinsky; 8.30pm; Feb 17
Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● Pierre-Laurent Aimard, Marianne Pousseur and Valérie Aimard: the pianist, vocalist and cellist perform Liszt's Die Zelle in Nonnenwerth, Elégie and La Lugubre Gondola; 0.45pm; Feb 16
OPERA
Théâtre de l Opéra Comique
Tel: 33-1 42 44 45 46
● The Turn of the Screw: by Britten. *Conducted by Dominique* Debart and performed by the Opèra *Comique. Soloists include* Anne-Marguerite Werster, Monique *Barscha and Raphaèlle Farman;* 7.30pm; Feb 17, 20, 21

STOCKHOLM

DANCE
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● *Royal Swedish Ballet: perform* George Balanchine's choreography Theme and Variations to music by Tchaikovsky, and Kenneth MacMillan's choreographies Pavane, to music by Fauré, and Song of the Earth, to music by Mahler; 7.30pm; Feb 16, 17, 20, 22

STUTTGART

OPERA
Staatstheater Stuttgart
Tel: 49-711-20320
● Salome: by R. Strauss. Conducted by Gabriele Ferro and performed by the Oper Stuttgart; 8pm; Feb 16, 22

THE HAGUE

CONCERT
Dr Anton Philipszaal
Tel: 31-70-3607925
● *Residentie Orkest: with* conductor Evgeny Svetlanov and *soprano Olga Alexandrova perform* works by Debussy, Ravel, De Falla and Chabrier; 8.15pm; Feb 17, 18 (2.15pm)

WASHINGTON

DANCE
Opera House Tel: 1-202-416-4600
● Alvin Ailey American Dance Theater: perform the choreographies Blues Suite and Cry by Ailey, and McKayle's Rainbow 'Round my Shoulder; 8pm; Feb 16

ZURICH

DANCE
Opernhaus Zürich
Tel: 41-1-268 6666
● *Das Zürcher Ballett: performs* Beriozoff's Der Feuervogel to music by Stravinsky, Van Manen's Polish Pieces to music by Gorecki, and *Bienert's Bolero to music by Ravel;* 7.30pm; Feb 16

WORLD SERVICE

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17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Samuel Brittan

A revolutionary proposal

This week's Bank reassurance on the inflation target is worth as much as its warnings in 1995 that it would be exceeded unless base rates were raised

We are again at a time when different ways of viewing the economy lead to divergent prescriptions. Those who look at the UK output gap and the growth rate will advocate further base rate cuts. The continued fall in registered unemployment hides an underlying slackness in the labour market, as increasing numbers have left the active labour force or moved to part-time or temporary work. The Bank of England now accepts that output is growing at 1½ per cent per annum – well below trend – and that unemployment is still "almost certainly above its natural [equilibrium] rate".

But those who look at money and credit are more sanguine about growth and more worried about later inflationary pressures. They look forward to future base rate increases rather than reductions – as financial markets do for periods after 1996.

The Bank of England no longer tries to explain away the near 10 per cent rise in broad money in the past year – above the official monitoring range – which results from an even larger rise in bank credit. This is convincingly attributed by Tim Congdon in the Gerrard & National Economic Review to big improvements in the banks' capital ratios, which makes them alert for loan opportunities.

Such signs of rapid monetary growth are for the moment mainly confined to the US and the UK. In continental Europe the problem is still one of inadequate monetary growth.

The Bank of England resolves these contradictory pressures by saying that there are downside risks to activity in 1996. These arise not only from domestic destocking, which it does not expect to last long, but from depressed conditions in continental markets. Further ahead, however, it worries that broad money growth will stimulate consumption too much and that the risks will be "on the upside". But it is "too soon" to say how serious these dangers are and when they will occur.

So far so good. But the Bank's punchline is that inflation will be "somewhat below 2½ per cent" in two years' time. This projection is, as usual, made on the absurd assumption – explicable only in terms of arcane Treasury-Bank of England diplomacy – that interest rates will remain unchanged. This is despite numerous charts and tables suggesting the changes that are in fact expected by the financial markets.

I do not want to deprive the government of a straw to clutch at in a bad week politically. But the Bank's reassurance on inflation now is worth as much as its warning that the inflation target would be exceeded last year unless interest rates were raised. (They were in fact lowered, at least once with Bank support) And the "infra-red display" showing degrees of risk around the projection is just a colourful way of hedging bets.

The Bank of England's economic director, Mervyn King, makes no secret that he would much prefer to use the expectation of inflation implicit in the gap between yields on conventional gilt-edged securities and those on the indexed variety. Unfortunately, the eight months' lag in indexation makes it extremely difficult to estimate inflation expectations for two years ahead. Even if this difficulty could be overcome, we would just have another set of forecasts, albeit by agents of those whose money is at stake.

Some light is shed on these perplexities by a study from a former monetary adviser to the Bank of England, Professor Charles Goodhart, who looks at what five central banks did rather than what they said. Their behaviour is best explained as the reactions to actual inflation rates rather than forecasts (*Why do the Monetary Authorities Smooth Interest Rates?* Financial Markets Group, LSE).

Goodhart's main purpose, however, is to investigate the hypothesis that monetary policy is usually "too little, too late". In view of the lags between policy and its effects, central bank policymakers ought, he believes, to move rates by as much as necessary as soon as necessary. Instead they moved them in small steps in the *same* direction.

The same pattern is apparent in interest rate reductions. Indeed, one of Goodhart's possible explanations is that, because politicians and public opinion are so hostile to large and early interest rate increases, central banks hang on to high rates as long as possible in self-defence and reduce them only gradually when the pressures mount.

Another suggested explanation is that central banks hesitate to act too drastically because of the transitional output losses inflicted by a monetary squeeze. There might here indeed be a valid case for gradualism, especially if it is linked to an omitted explanation, that of diagnostic uncertainty. The size of any inflationary threat and the appropriate remedial action are almost impossible to predict at the beginning. A compromise, to avoid damaging the real economy, is to make a small move and then follow it by further moves if a serious threat really emerges.

Indeed, in view of the uselessness of forecasts when it comes to turning points, I would make the revolutionary suggestion that we should base decisions *quite explicitly on the present*. Of course, this does not solve all problems. How does one assess the present trend of inflation? Over the last three months, six months, a year or longer? And no one is suggesting ignoring emergencies, such as an oil shock, which are going to affect prices in future.

A decision to go by the present would involve abandoning the attempted perfectionism of the current approach. An inflation target of 2½ per cent would have to be accepted as an average, around which there would be considerable fluctuations. Moreover, a policy based on present behaviour would be foolish if it took only inflation into account. If output is growing unsustainably fast, say at 5 or 6 per cent per annum, it would surely be sensible to take restraining action now. Similarly if output were stagnating or actually falling, some stimulus could be given without waiting for inflation to fall below target.

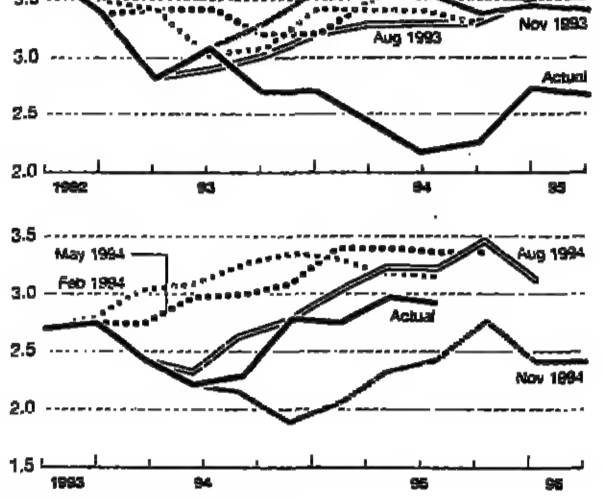
Faithful readers will realise that, taking both inflation and growth into account, gives one an objective for nominal demand. But if we are being serious it is necessary also to take into account excess demand that spills over into the balance of payments. Indeed an Economic Viewpoint of September 8 1994 showed that tracking domestic demand would have curbed many past inflations.

Similar pointers emerged from a conference held last week in Bologna by the EU statistical office, Eurostat. Professor Luc Soete of Maastricht argued, with a good deal of support, that conventional price indices overstate inflation and understate real growth by at least 2 or 3 percentage points. An important reason is the failure to measure correctly the impact of information technology.

The idea of of a single correct inflation measure is a chimaera. Let us assume that demand and output are growing in money terms by 5 per cent per annum. Whether this consists of 3 per cent real growth and 2 per cent inflation, or vice versa is inherently and always will be, contestable. Why not then concentrate on the 5 per cent growth objective for actual spending, which reflects the basic data before statisticians have performed their manipulations? If we can keep to this rate of advance – not every year and exactly, but roughly over an average of several years – there will be no runaway inflation. Nor will any recession get out of control. And that is about all one can expect of monetary policy.

Pessimistic inflation forecasts

RPIX inflation, Bank projections and outturn (% changes on year earlier)

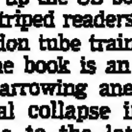


Source: Bank of England Inflation Report

BOOK REVIEW · Peter Martin

EMOTIONAL INTELLIGENCE by Daniel Goleman
Bantam, $23.95

How to control your brain chemistry



Middle-aged businessmen think *Emotional Intelligence* is wonderful. It is well up the US best-seller lists; pinstriped readers peruse it on London tube trains.

The book is an odd mixture of harrowing anecdotes about social collapse in the US, a guide to the latest developments in brain chemistry, and an optimistic message that you *can* change your life.

A cynic might argue that *Emotional Intelligence* is the conventional man's equivalent of the self-help books so popular among women: a sort of *Men are from Mars, Women are from Venus* for the male menopausal commuter. Its style, though accessible and friendly, is more sober than is common among self-help literature. Its scientific top-dressing (including diagrams of the inner pathways of the brain, six appendices and 28 pages of footnotes) gives it a serious air.

The author, who trained as a psychologist and is now a science correspondent for the *New York Times*, addresses a simple question: "What factors are at play when people of high IQ flounder and those of modest IQ do surprisingly well?"

His answer: "The difference quite often lies in the abilities called here *emotional intelligence*, which include self-control, zeal and persistence, and the ability to motivate oneself." Goleman believes that these skills can be learnt, most importantly in childhood, but to some extent throughout life. To acquire emotional intelligence, and to teach it to others (directly through parenting, indirectly through good schools) is not merely practically beneficial, but also essential for civil order.

The brain-science part of the book describes the role of the amygdala, an area of the brain that generates emotion. The amygdala receives most of its inputs from the neocortex, which makes sense of stimuli and decides on an appropriate response. But very strong signals – those summoning up the most powerful and basic emotions of fear, passion or anger – bypass the "rational" neocortex and go straight to the amygdala. It is a legacy of the "flight or fight" days when a few milliseconds of delay – to allow the neocortex to process a potential threat – could prove fatal.

Though there is nothing we can do about this basic fact of human evolution, there are some ways of taming the amygdala. Children with hair-trigger amygdalas can be calmed, Goleman argues. People whose amygdalas frequently hijack the neocortex's thinking processes can teach themselves to break free from this tyranny. The remedies are not astonishingly original – they include going for a walk to calm down, taking aerobic exercise, avoiding a self-reinforcing spiral of anger, finding enjoyable distractions. Still, Goleman's tips are convincing, and his arguments against ventilating anger are refreshing.

Once these introductory chapters are over, however, the book abandons most of its reliance on brain science and moves instead into more familiar areas of psychology. The conclusions are again unoriginal. Optimists do better than pessimists, for example. A child who prefers two marshmallows later to one marshmallow now will almost certainly outperform peers who settle for instant gratification. Empathy is a great social skill, and is largely learnt in very early childhood. Popular people are good at monitoring their own emotions and those of others, and know how to adjust their behaviour to obtain the desired response – though they must avoid taking this too far and becoming "anchorless social chameleons".

Throughout, the book is studded with gruesome anecdotes about psychopaths who rape, beat, stab, machine-gun or murder their fellow-citizens. The two most practical chapters, however, for the non-American non-psychopath are those devoted to marriage and work. (Though even these are not mayhem-free zones: the marriage chapter tells us about a wife who shot her husband because he wanted to watch football on television.)

These chapters contain some interesting nuggets. For biological reasons, Goleman says, men find emotions more distressing than women. So their notorious refusal to discuss such issues may have deep roots in evolutionary self-protection. Marriages are prone to "flooding", a situation in which "husbands or wives are so overwhelmed by their partner's negativity and their own reaction to it that they are swamped by dreadful, out-of-control feelings". Star performers at Bell Laboratories are no different in terms of IQ or technical skills from their colleagues – but their stronger social skills allow them to tap others' expertise much more effectively.

But the lessons to draw from these observations are familiar: avoid caustic, unpleasant attacks on your partner or colleagues even if you feel strongly about what they are doing – address the undesirable action, not the person. Stay calm, if necessary by going for a walk. When you are having a row, try to remember your spouse's good points.

Summarising the book in this way, however, does not do it justice. For men, middle age is often a period when emotional issues, long ignored, become of pressing interest. For such readers, Goleman has provided a well-written and practical guide to the emotions, perfectly pitched in tone and scope. But for anyone thinking of living in America, the book's subtext shrieks: don't!

·LETTERS TO THE EDITOR·

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Globalisation benefits modernising economies

From Mr Owen Cylke.

Sir, Martin Wolf dismisses the potential of globalisation just a bit too quickly ("The global economy myth", February 13). While I would not argue that globalisation will soon control national governments, it will certainly affect national economies. And I believe that it may have consequences for the modernising economies of the developing world that will redound to all of our benefit.

Example. The International Standards Organisation's (ISO) efforts to promote total quality management, ISO 9000, and total quality environmental management, ISO 14000, are sweeping Asia, eastern Europe, and South America. Ministers of finance may decry the efforts of OECD donor countries to enforce environmental standards through their aid programmes, but they recognise the probability that environmental standards, and particularly ISO 14000, may become a condition for continuing access to OECD markets. Hence the rush of American, British and German environmental consulting organisations to those developing regions – ahead even of the market opportunity in their own countries.

Indeed, as I have argued before, the seeds of a clean industrial revolution in the fast-growing countries of Asia, eastern Europe, and South America are embedded in the globalising force of international standards. National governments and economies operate at their peril if they fail to recognise the power of these new globalising forces. They are certainly not a myth, nor exaggeration to the likes of Hyundai, Sanyo, et al. Hopefully not to Digital, Ford, or Xerox.

Owen Cylke,
senior fellow,
Tata Energy & Resources Institute,
Washington DC, US

Good reasons why gold may not be used as real money

From Dr Alexander Sharov.

Sir, It is a mistake to say that there are no theoretical reasons why the world could not enjoy free banking based on gold ("Bring back gold", February 5). It may surprise western readers, but this problem was the subject of a lengthy academic discussion in the former Soviet Union. Most experts agreed that gold can no longer be used as real money (even if used as backing for banknotes or other claims) in a market economy.

My own view is as follows:

- Commodity prices have no connection, as they had until this century, with the price of gold:
- Modern credit or non-commodity money displays an ability to service the circulation of goods independent of its own quantity (which was not possible with real-value gold). On some views this was a cause of this century's high inflation;
- Thanks to high inflation, any connection between banks' gold reserves and the money supply is completely destroyed.

These days a story about a non-inflationary gold-backed money supply resembles a tale from *A Thousand and One Nights*.

Alexander Sharov,
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Startling conclusion about the Singapore Chinese

From Mr Abdul Aziz Mahmood.

Sir, James Morgan ("Sandra and Nelly's lesson from the east", February 3/4) is right that Asia is ethnically and culturally diverse. But about 1.5bn people in Japan, Korea, Vietnam and China have all used the Chinese script or its variants for centuries. They have imbibed the precepts of Confucianism, share some basic cultural traditions and values and are influenced by Buddhism.

Of Singapore, James Morgan wrote: "The population was moved to fine new estates where Cantonese and Hokkien found themselves living side by side. They then learned Mandarin to understand each other. Ancient values disappeared with ancient slums, and a largely Chinese population, for the first time in history, stopped spitting and admired its government."

Cantonese and Hokkien are spoken variants of the same written language. To say that a change in pronouncing the same language, from dialect to Mandarin, made ancient values disappear is startling. Alas, spitting is an ancient Chinese habit. But it can hardly be said an ancient value disappeared when Singapore's Chinese population stopped spitting.

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Moves to outlaw bribes would assist arms control efforts

From Mr Laurence Cockcroft.

Sir, The support offered by the five union leaders (Letters, February 12))to the tougher regime on international arms control proposed by a coalition of non-governmental organisations across Europe is indeed welcome. One of the forces driving this dangerous trade are the colossal pay-offs which can be achieved by individuals associated with arms deals either as buyers or sellers.

A gross anomaly of the present international legal regime is that in nearly all OECD member states the payment of a bribe in another country is not an offence, and in most states remains tax deductible.

The value of these bribes in the arms trade was confirmed by a recent report of the DGSE (French secret service) which stated that Coface (the official export credit agency of France) had paid close to £1.3bn in bribes to foreign purchasers of "defence equipment" in 1994. The wide acceptance of the practice in other EU member states is further confirmed by the resignation of Willy Claes as secretary-general of Nato as a result of an alleged £1m payment by the Agusta helicopter manufacturing company to the Socialist party of Belgium in 1988.

In his 1995 report to President Bill Clinton, James Wooley, the former director of the CIA, stated that monitoring the payment of bribes to potential customers by national trading rivals of the US had become a key function of his agency – especially in relation to arms deals.

The OECD countries are in the midst of a process of moving gradually towards a regime in which transnational bribes are (a) outlawed, (b) no longer tax-deductible and (c) potentially traceable through the audit process. Effective implementation of the OECD's recommendation could do much to reinforce the code of conduct proposed as a means of limiting the arms trade, and so begin to combat the human, moral and economic damage caused by the killing industry. Transparency International is glad the UK government has taken a progressive stance in the OECD process – it would welcome a similar effective stance, in particular, by all other members of the EU.

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Interest rates heading down

Mervyn King, the Bank of England's chief economist, denied yesterday that the Bank's latest quarterly inflation report had given the green light to cuts in UK interest rates. But Mr Kenneth Clarke would be forgiven for judging otherwise.

Three months – and two quarter point interest rates cuts – have rid the Bank of many of the inflationary doubts voiced in its November report. On balance, it believes that the government is now a little more likely to undershoot its medium-term inflation target than exceed it.

In keeping with the Bank's remit, the forecast is made on two assumptions: that interest rates remain unchanged, and that the Chancellor is setting monetary policy with a view to inflation in 2½ years' time. Neither are especially realistic in the lead-up to a general election.

Like any Chancellor, Mr Clarke would like to be able to loosen monetary policy in the next months so as to boost the government's electoral prospects. What is more unusual is that, for the time being, prudent macroeconomic management suggests the same course.

As the Bank now admits, the downturn in economic activity from early 1995 onwards turned out to have been steeper than it thought at the time. Revised GDP data suggest that the economy grew significantly below its long-run trend rate for most of the year. At the same time, few of the Bank's most often-repeated risks to inflation have materialised.

Producer and output price inflation – last year's biggest concern – is on the way down. Sterling has roughly stabilised at a new, lower rate. But, contrary to the Bank's expectations, the depreciation at the start of last year has not had a lasting effect on either retail price pressures or growth in average earnings.

If the slowdown of last year looked likely to reverse itself in the coming months, it would make sense to hold interest rates where they are for the time being as the effects of the December and January reductions filter through to consumer and business confidence. But growth expectations have turned sharply downwards since the beginning of the year, especially in continental Europe. As the Bank points out, this means that the risks to inflation for the next six months or so are firmly on the downside.

The prospect of further declines in economic activity in the major European economies strengthens the demand-side case for further, cautious reductions in UK interest rates. Equally, falling German interest rates lessen the short-term risks to sterling – and UK inflation – of loosening policy further.

The Bank is right to sound a modest note of alarm about the recent rapid growth in broad money. This argues for caution in the size and timing of future interest rate cuts. But the case for some, modest, loosening in the coming months is a strong one.

Cyberlaws

Communication *sans frontières*. To the Internet's fans, that is the essence of its appeal. But to anyone putting information onto the Internet's World Wide Web, its global nature is the cause of a growing headache: how to uphold intellectual property rights to the rivers of information pouring over its wires.

Online computer systems such as the Net are among the fastest growing ways to distribute information – music and pictures as well as words and numbers. But existing copyright laws deal inadequately with digital transmission. Regulation is complicated by the way that information downloaded in one country can have originated almost anywhere in the world. The $35bn-a-year music industry now believes that digital copyright abuse is a big future threat to its revenues.

The century-old Berne convention on copyright and the General Agreement on Tariffs and Trade represent a degree of international agreement on the treatment of such issues. However, many countries are not signatories, while standards of intellectual property protection vary widely among those which have signed.

Moreover, there are technological problems in enforcing agreements even where they exist. At present, it is often difficult to identify both those who have accessed information, and those who have entered it onto the Net. Given that problem, some groups want companies providing Internet access to be responsible for upholding rules, rather than users or publishers. But this is highly unattractive: service providers will be unaware of much on the Net.

The currently imperfect state of protection is one reason why much cyberinformation is junk, of value to almost nobody, deposited partly to stir up interest in paid-for services beyond the Net. However, new ways to restrict access to parts of the Net, and to charge for subscriptions to that information, may address that shortcoming. Companies are also working on "electronic tags" which will show whether information is passed to unauthorised users.

If such technological developments bear fruit, the whole game may change. The mainstay of the Internet may no longer be information already published in another medium. Instead, publishers could put material of real value on the Net, knowing they would be paid. Other media may be squeezed as the Internet assumes some of their role.

In this respect, copyright problems are a symptom of the Internet's immaturity, rather than a sign that electronic sophistication has made regulation impossible. The Net itself is a creation of technology, not policy, and the solutions to this problem are more likely to be technological than legal. But solutions must be found if the Net is to realise its enormous commercial potential.

Future of aid

How can a country like the UK best help poor countries? This, in essence, is the question that Lady Chalker, the only British minister with a direct responsibility for development, needed to answer in yesterday's speech on the aims of the Overseas Development Administration. What she had to say was good enough, so far as it went. It just did not go far enough.

If there is a moral case for a welfare state at home, there is at least an equally compelling one for assistance to poor people abroad. It is very hard, therefore, to argue that the UK's overall aid programme – at only 0.33 per cent of gross domestic product or less than 0.8 per cent of public spending in 1995-96 – is anything but miserly. Lady Chalker herself admitted she was "more than disappointed in November that the aid budget was reduced when compared with our previous published plans". Rightly so, since spending in 1998-99 is set to be some 8 per cent smaller, in real terms, than in 1994-95.

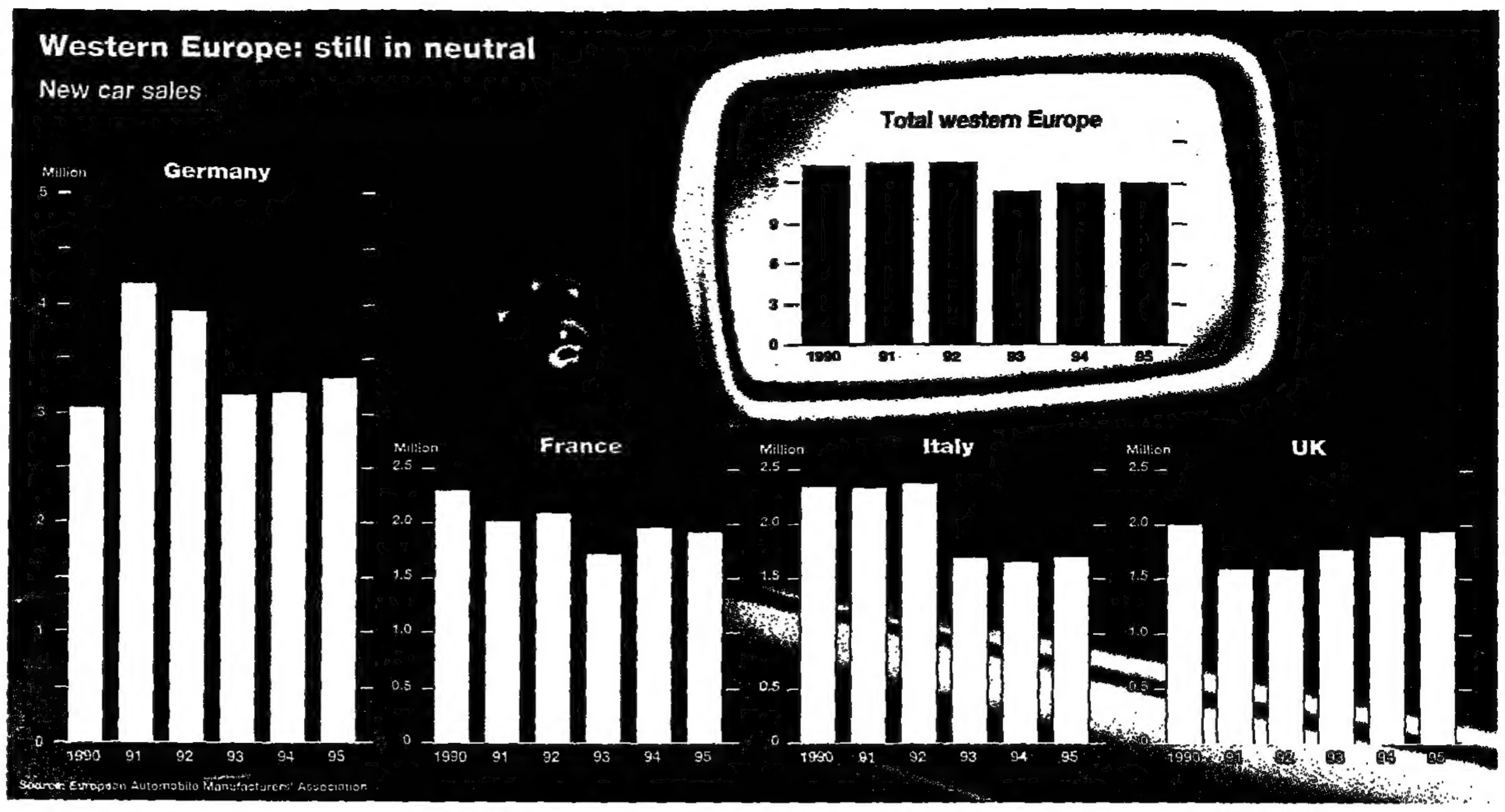
In practice, however, the case for granting more aid is undermined by the widespread perception that too much of it has been wasted. What answer does the ODA's fundamental expenditure review have to this concern?

The most important practical decision has been to concentrate assistance on a limited number of countries in South Asia and Africa. This must be correct, not just in terms of where aid is most needed, but also in terms of the UK's comparative advantage as an aid donor. Even so, it is unclear that concerns about the quality of aid – particularly its use to support narrow commercial aims – can now be forgotten.

What is more, there is far more to assisting the poor than what happens to the UK's own bilateral assistance. Half of the UK's assistance goes through multilateral institutions, a quarter of it through the European Union alone. In practice, there are big doubts about the EU's effectiveness. The fundamental review recognises the problem, but offers no compelling solution.

Trade is widely recognised to be far more important than aid. Yet Lady Chalker had little to say on this topic. The Lomé convention, which governs the EU's assistance to 70 associated developing countries, must be rethought. More silence. And what are her views on multilateral debt relief? On this, too, she said very little.

Above all, how far has the effort to impose greater conditionality on aid recipients, particularly in Africa, worked? A strong case can indeed be made for a bigger aid programme, but only if it helps poor people, rather than corrupt governments. Neither the fundamental expenditure review nor Lady Chalker's speech addresses this profound concern. Yet it must be answered convincingly if the case for more generous aid is to be sold to a sceptical public.



Engine of demand sputters

Mergers and joint ventures should top European carmakers' agendas as they face overcapacity and declining profits, says **Haig Simonian**

It has been an inauspicious start to the year for Europe's carmakers. Jaguar, the luxury cars group owned by Ford, surprised the market last week by announcing brief lay-offs to cut stocks of unsold vehicles.

The previous day, Mr Helmut Werner, the chairman of Mercedes-Benz, Jaguar's bigger German rival, said the industry was "heading into a very difficult year", with sales not likely to rise by more than 1 per cent. In January, Germany's leading carmakers predicted domestic manufacturers and components suppliers could shed 100,000 jobs by the end of the decade.

Excess production capacity and the poor outlook for car sales has reinforced the belief that Europe's car industry requires structural changes to balance supply and demand. Manufacturers have already taken limited steps to reduce costs by collaborating with each other. But the improbability of a long-term upturn in the market means much more drastic steps – including big mergers – are again on the agenda.

"The essential problem is that long-run demand is not matched to long-run supply and Europe's carmakers have been too sluggish to react to the new realities in the market," says Professor Garel Rhys, a specialist in motor industry economics at Cardiff Business School.

In spite of western Europe's economic recovery after the recession, demand for new cars has been stalled. Total registrations in the 17 markets monitored by the European Automobile Manufacturers' Association rose by 0.6 per cent last year to 12m. That was below industry expectations and far short of the record 13.5m sold in 1992. Even the surprise 6 per cent rise in January sales reported this week has been dismissed as a one-off.

Lower demand and the need, in many cases, for expensive special offers to sell cars have been reflected in poor profitability. Ford and General Motors said 1995 earnings dropped sharply at many of their European operations. Vauxhall Motors, GM's UK arm, blamed fierce competition and a stagnant market for a collapse in pre-tax earnings to just £3m from £79m in 1994.

"Europe's car market has become saturated. Demand is now on a replacement-only basis, and even that is fragile," says Mr Graham Morris, head of sales and marketing at Volkswagen's Audi subsidiary.

Excess capacity is the main problem. Europe's carmakers have been loath to rationalise because of fears of labour unrest, and governments have exerted pressure to minimise politically sensitive redundancies. Tough job protection laws in many continental countries mean the UK has borne the brunt of redundancies, but the scope for further cutbacks in the UK is limited.

Many European carmakers have opted for short-term working and partial shutdowns to counter excess supply. But their efforts have been undermined by new capacity at other car companies. Toyota, Honda and Nissan, the three Japanese car companies which have set up in the UK, want to expand to 650,000 units by 1999 from 500,000 today.

Others are following suit. Fiat has built a huge new factory in southern Italy to make up to 750,000 cars a year. Volvo and Mitsubishi expect to raise output at their NedCar joint venture in the Netherlands. And Chrysler, the smallest of the "Big Three" US carmakers, expects its new Austrian operations to build 100,000 in 1996. Even more capacity is being planned in eastern Europe.

Overcapacity, furthermore, has not deterred new Asian entrants which believe they can compete on price. Sales by Korean brands, such as Hyundai and Daewoo, soared by 69 per cent to almost 180,000 last year. Malaysia's Proton also increased its share marginally.

The obvious answer to overcapacity, slack demand and tougher competition is rationalisation and mergers. But Europe's carmakers have moved mountains to keep their independence.

Some limited rationalisation has taken place. Niche manufacturers, such as Jaguar and Saab, have been absorbed into bigger groups. Even mid-volume marques, such as Rover, have lost their independence.

But Europe's carmakers have so far shirked the big mergers which could cut capacity more significantly. Virtually every attempt at a marriage between big companies has stumbled at the altar, including the planned nuptials between France's state-owned Renault and Sweden's Volvo, which collapsed because of Swedish reservations about Volvo's future role.

Europe's motoring history is littered with other grand visions which were never realised. Italy's Fiat, the most ardent suitor, has been in serious merger talks with separately Citroën, Ford and Chrysler over the past three decades.

The obstacle has always been control. Carmakers are unwilling to forsake their independence, except *in extremis*. The industry's economic importance – it can contribute almost a sixth of a country's gross domestic product – means any merger is bound to have a big macroeconomic impact. So not only private shareholders, but also trade unions and governments, are reluctant to make concessions when jobs and earnings are at stake.

In the absence of mergers, manufacturers have focused on reducing their production costs to compete with lower-priced rivals. "Lean production" techniques, involving a plethora of measures to streamline organisation on the shop floor, have become ubiquitous. "Everyone has robots and has learned about team working and just-in-time delivery. It's no longer a major factor now," says Mr John Lindquist, a motor industry analyst at the Boston Consulting Group.

Other tactics to achieve savings have included simplifying model ranges around a smaller number of basic "platforms" for vehicles and wresting price cuts from suppliers. But having squeezed manufacturing, the car companies have now turned to marketing.

Most have sought to exploit new niches, such as convertibles, sports utilities and multipurpose vehicles, to exploit new pockets of demand. New vehicles have been accompanied by a number of back-door price reductions, such as rising discounts for big fleet buyers.

There are now signs, however, that the financial pressures of sales incentives and other marketing tricks to stimulate demand artificially are beginning to bite. The clearest evidence has been in the growing popularity of joint ventures for new models or major components to cut costs.

The biggest collaborations involve entire ranges, such as the multi-purpose "people carriers" now taking to Europe's roads. Ford's Galaxy and the Volkswagen group's Sharan and Alhambra models are built on the same production line at a jointly owned factory in Portugal. Fiat and Peugeot-Citroën have gone the same way at their new plant in northern France, which makes near-identical multipurpose vehicles – bar the badge.

Sweden's Volvo has been particularly active because of its vulnerability as an almost full-range manufacturer with relatively low sales. That has obliged it to seek joint ventures, such as NedCar and AutoNova, a venture with the UK's TWR group to develop a series of low-volume convertibles and coupés.

Joint ventures in components are becoming even more popular. Renault and Peugeot-Citroën, ostensibly archrivals in France, are expected to announce shortly an alliance to produce gearboxes. The two companies already work together on engines at a plant in France.

Manufacturers are also becoming much more inclined to buy major parts from rivals. Italian motorists' disdain for automatic gearboxes means Fiat sources some of its automatics, which are popular in many export markets, from VW and Fuji Heavy Industries of Japan. Volvo, which specialises in big saloons and estate cars, buys smaller engines from Renault.

While such attempts to lower manufacturers' costs are understandable, motor industry analysts doubt one-off collaborations will be enough to overcome the long-term problems of excess capacity and insufficient demand.

No one expects a manufacturer to throw in the towel. Prof Rhys notes that no European car company has withdrawn from the business voluntarily since Germany's Borgward in 1960. But most analysts are convinced that Saab will be fully absorbed into GM eventually. They also question Volvo's long-term ability to stay independent, in spite of the strong financial support from its flourishing trucks side.

Other predictions are more controversial – and invariably unattributable as a result. Some analysts reckon Ford's declining profitability in Europe and its willingness to entertain merger talks in the past could signal a return to the negotiating table if European profitability were to remain under pressure.

Some observers even predict Peugeot-Citroën and Renault may one day merge. And many argue that Chrysler could be tempted to expand into a global operation from its US base by joining forces with a European producer.

Such speculation is invariably dismissed out of hand by the companies concerned. But much the same denials would have been made not so many years ago by Austin, Panhard, Horch and countless others, now gone for good.

· OBSERVER ·

Schneider's budget return

■ Jürgen Schneider, the disgraced German property tycoon, is causing his country's criminal authorities another spot of bother now he has decided to face the music and return to Frankfurt.

With public finances under strain, the Hesse state justice ministry in nearby Wiesbaden is determined not to have to fork out too much for his return, which is expected soon. On the other hand, security is paramount, especially with hordes of journalists expected to want to join the flight from Miami, where he is currently in jail, or at least get a sight of him at Frankfurt airport.

So should he fly first or second class? "We don't see why a second-class flight shouldn't be as secure as a first-class one," says Claudia Weisbart, ministry spokesperson. "We want a cost-favourable solution. It would certainly be absurd to reserve a whole aircraft for him."

The decision will finally be taken by the state prosecutor's office in Frankfurt, together with the Federal Criminal Office. No longer under consideration, apparently, is a move to have him flown back by the German airforce. Since a first-class flight, at DM4,205 ($2,860) is nearly twice the cost of an economy ticket at DM2,230, or business-class at DM2,730, Schneider and his wife Claudia will be doing their bit for the German budget.

Once he returns, of course, there is the little matter of the DM5bn hole left by the collapse of his property empire nearly two years ago. Champagne, of which he is fond, is unlikely to be flowing, however he flies back.

Wall Street bound

■ Dick Holbrooke, the US architect of the Dayton accords, is a man with a fine sense of time, as well as history. The quintessential networker insists on keeping his gold watch fixed on Washington time wherever he is.

Yesterday it happened to be London for talks with the British government, the day before it was Bucharest for an all day session with the Romanians. Last week he was bending the ears of the Greeks and Turks to stop them falling out over an uninhabited rock three miles off the coast of Turkey. The former banker has not had a dull moment for months as he had jetted around the world's problem areas.

Next week he bows out of government and returns to Wall Street. But for how long? He is a man for whom exercising American power at a crucial point for the future of the western alliance has been an enormously attractive way of spending his time.

He reckons that the past few months have been as important for re-defining the issues facing post-Soviet Europe as 1947 was for concentrating western minds on how to face up to Stalin. Given the political vacuum in Europe, he would make a powerful US secretary of state if he ever wanted to return. He says that he is not interested. Few believe him.

Scott and sex

■ Her Majesty's Stationery Office, publisher of today's report on Britain's arms-for-Iraq inquiry, has been sworn to secrecy. Details of the print-run, cost and distribution are classified information and copies of the report are being held in secret locations. So no one knows whether it has a best-seller on its hands.

The Barings report sold 6,500 copies, while Profumo sold 124,000. So would Scott outsell Barings, nay, even match Profumo? "Well, Profumo was part of the 1960s, when sex was the thing," says the HMSO. Observer understands there is no sex in the Scott report.

Terminal game

■ Nobody could accuse the Philippines' President Fidel Ramos of being old-fashioned. The former five-star general has been surfing the Internet for the past six months in search of wisdom. One of the high spots of the 67-year-old leader's lonely vigil was finding that there were fellow heads of state who enjoyed the same hobby, such as Malaysia's prime minister Mahathir Mohamad.

"We had a live chat that was open to some 30m users all over the world," says Ramos. "Five years ago no one could ever have imagined being able to eavesdrop on the conversation of world leaders just by the touch of a button." For those who want to follow up Ramos' offer of swapping e-mail addresses, please contact the Philippine leader on "HTTP://WWW.PHILIPPINES.GOV.PH"

He's sitting at his terminal waiting for you.

Cathy come home

■ Observer's heart was a-flutter when a single-stemmed red rose and box of chocolates were delivered to the office on St Valentine's Day. Which secret admirer was declaring their undying passion? The envelope was duly ripped open and out dropped a mysterious handwritten card from someone called Cathy Pacific.

If you are out there Cathy, do get in touch. An unromantic colleague has suggested that your lovely gift is just a cynical marketing ploy from some foreign airline. Observer cannot believe this to be true. But the seeds of doubt have been sown. Please call soonest.

The Financial Times

100 years ago

Abbot's Consolidated Gold Reefs

Letter to the Editor: Sir. – I am unfortunately in the same position as "Disgusted". I have heard nothing about this mine since the meeting last summer, and applications to the secretary are useless; he simply evades all inquiry by stating that he would refer to the directors.

It looks as if there was a great deal to conceal, and I should like to combine with other shareholders in order to investigate this business.

50 years ago

De Havilland export contract

The first big post-war business to have been secured by the British aircraft industry is announced by the de Havilland enterprise, which has completed the negotiation of three very important contracts with the Swedish Government. The first covers the supply of a large quantity of Vampire jet-propelled interceptor aircraft. The second is a separate order for Goblin turbines, and the third covers the license to manufacture the Goblin engine in Sweden. Together these contracts constitute one of the biggest overseas orders ever to have been obtained in the history of the British aircraft industry.

FINANCIAL TIMES
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Secret report rejects idea of GEC-BAe link

UK defence companies face merger opposition

By Bernard Gray, Defence Correspondent

The UK Ministry of Defence would oppose any attempt by the General Electric Company, the British electronics company, and British Aerospace, the aircraft manufacturer, to merge their defence businesses, according to private MoD documents.

The companies, which have been holding speculative talks on closer ties for several months, are likely to fight to get the policy changed.

The MoD's opposition to such a link-up is made clear for the first time in a secret document on the future of the European defence industry. While the department backs the merger of electronics companies and aircraft makers across Europe, it specifically rejects the idea of component suppliers merging with aircraft makers.

It believes such mergers cut competition and rarely produce the savings claimed for them.

Within the UK, the department's view effectively applies only to the much-mooted link up between GEC and BAe. The MoD thinks the creation of such a "national champion" in defence would damage the government's ability to hold competitions for defence equipment, such as the current series of bids for a £2.5bn missiles contract, in which GEC and BAe are on opposing teams.

However, GEC and BAe are considering merging their defence interests as part of the wider consolidation of the European defence industry. Both companies are also talking to possible continental partners: BAe is exploring links with Daimler-Benz Aerospace and GEC is interested in Thomson-CSF, the French defence electronics company.

Yet neither has given up on the idea of a BAe-GEC deal, which would be easier to complete than a continental merger and would give it a dominant position in its home market.

Senior executives in both companies are privately angry about the MoD's attitude and are working to get the policy changed.

They may have allies in the Department of Trade and Industry, which was last week given a bigger role in defence procurement. Mr Michael Heseltine, the deputy prime minister, is also thought to be pushing for more support for company mergers.

The MoD's attitude to mergers has been softening in response to pressure, most notably from a Commons select committee report which savagely attacked the department. However, it may not have shifted far enough to satisfy its critics, who want the department actively to support mergers and rationalisation proposed by the industry.

If GEC and BAe do try to merge their defence operations, there is thus likely to be a Whitehall battle.

Gramm quits Republican race for the White House

By Patti Waldmeir in Washington

Senator Phil Gramm of Texas yesterday pulled out of the race for the Republican presidential nomination, leaving the remaining eight candidates competing for his supporters ahead of the make-or-break New Hampshire primary.

"I am today ending my campaign for president," he told supporters in Washington. "It would be unfair for me to remain in the race when I know I'm not going to win," he said.

Senator Bob Dole, the Senate majority leader and Republican frontrunner, was hoping yesterday to collect Mr Gramm's endorsement for his candidacy, but the Texas senator said he had not yet made up his mind.

He hinted that he would not be endorsing Mr Pat Buchanan, the ultra-conservative commentator, whom he criticised sharply for protectionist trade policies which he said conflicted with Republican policy.

With or without an endorsement, many of Mr Gramm's supporters are likely to opt for Mr Dole, whose campaign received a further boost with the news that two high-profile state governors will back him.

Governor William Weld of Massachusetts, neighbouring state to New Hampshire, and Governor George Allen of Virginia were travelling to New England yesterday to campaign for Mr Dole, who now has the support of 24 of the 31 Republican governors.

But endorsements from 22 of those governors did not prevent him from faltering in the Iowa caucuses. Mr Dole underlined the importance of the New Hampshire poll yesterday when he said: "You don't go to the White House unless you win New Hampshire." President Bill Clinton is the only recent candidate to have lost the state but won the White House.

Mr Dole was not alone in collecting high-profile endorsements yesterday. Mr Lamar Alexander, the former Tennessee governor who gained a burst of momentum by finishing a strong third in Iowa, won the backing of Mr William Bennett, a former education secretary. This was a blow to Mr Dole, who would have welcomed the backing of such a noted conservative. Mr Alexander hopes the endorsement will help him gain support among social conservatives in New Hampshire.

All of the eight remaining candidates were campaigning actively in the state yesterday, and focusing their efforts on the conservative vote, which did so much to determine the outcome in Iowa. Mr Dole has shifted to a more populist message since arriving in New Hampshire, attacking corporate greed and appealing for the support of blue collar workers, who heavily backed Mr Buchanan in Iowa.

Dole campaign officials said they considered Mr Buchanan their most serious opponent in New Hampshire.

Mr Steve Forbes, the multimillionaire publisher, was also due to relaunch his flagging campaign in New Hampshire yesterday, after a day spent rethinking his advertising strategy following his fourth-place finish in Iowa.

P&G pricing

Continued from Page 1

P&G's nerve, analysts said. When it made a permanent cut of 7 per cent in the UK price of its disposable nappies in December, sales rose. But when Kimberly Clark, its main competitor, responded briefly with a 25 per cent cut, "there was a short hiatus in sales growth", a P&G UK executive said.

Scania poised for flotation

Continued from Page 1

Scania, the world's most profitable truckmaker which has been a jewel in the Wallenberg crown. Until Investor split the companies a year ago, Scania was grouped in Saab-Scania with the troubled Saab aviation and Saab Automobile operations. But since then it has been wholly independent.

In the first nine months of last year, Scania returned pre-tax profits of SKr3.8bn, achieving an operating margin of more than 15 per cent. It is set to be the engine behind an expected rise in Investor's 1995 profits from SKr3.09bn to SKr5.3bn.

Speculation about flotation has helped push up Investor shares. Yesterday, Investor B shares rose SKr4.50 to close at SKr244.50.

Turkish parties to resume talks on coalition

By John Barham in Ankara

Refah, Turkey's Islamist party, and the opposition conservative Motherland party are to resume talks today amid suggestions that they have agreed to form a new coalition government.

Turkish media reports last night indicated the two parties had agreed in principle to form a government, ending five weeks of political deadlock since the December 25 general election. Senior figures of both parties would neither confirm nor deny the reports.

Any involvement by Refah in a ruling coalition would alarm western governments, fearing it could weaken Turkey's commitment to Nato and its role as a base for western air operations in northern Iraq.

However, many western analysts believe Refah and its supporters are more immediately concerned with domestic issues, such as poverty and misgovernment in Turkey's growing cities, than foreign affairs – although the business community hopes Motherland's strong economics team would be in charge of the financial ministries.

Still, Refah may dictate a harder line in Turkish-Greek disputes. Mrs Tansu Çiller, the Turkish caretaker prime minister, won praise from Washington for backing off from military action against Greece during the recent showdown over an Aegean island – but Refah accused her of betrayal.

"The presence of Refah will give the government less room for manoeuvre in the handling of Aegean disputes," said one US analyst.

Turkish television said last night the two parties' leaders would rotate the premiership, with Mr Mesut Yilmaz, Motherland party leader, heading the government for its first period in office. Refah, the largest party in parliament, had strongly resisted sharing the premiership.

Last night political analysts warned that the parties appeared not to have agreed on basic policy issues.

The news of talks surprised many observers since the two leaders had fallen out after Mr Necmettin Erbakan, Refah leader, had praised Iran's Islamic revolution last week.

If the two parties do agree on a formula for sharing power, the coalition could shift Turkey politically. Refah has softened its militant rhetoric since it took 21 per cent of the vote in the election, but it remains commited to transforming Turkey's 73-year-old secular state into an Islamic republic.

Mr Yilmaz said during the election campaign he would not form an alliance with Refah, but was faced with little alternative when talks with Mrs Çiller over forming a coalition failed.

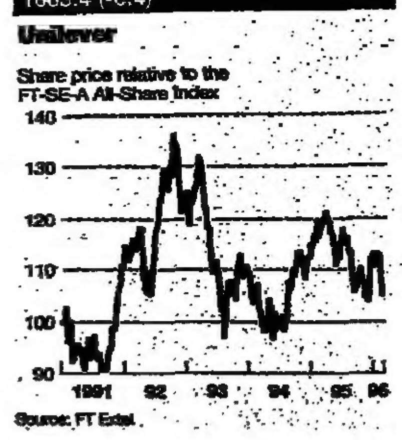
THE LEX COLUMN

Unilever lather

If Unilever thought that buying a shampoo maker would wash its problems right out of its hair, it was wrong. The $770m (£500m) takeover of Helene Curtis looks like a sweet deal. Curtis, which makes shampoos, conditioners and deodorants, will double the size of Unilever's personal care business in the US – a market the Anglo-Dutch giant has been trying to crack for years. Unilever should be able to turn around the US group's international operations, many of which are losing money. At 40 times historical earnings, the price looks high. But this reflects the depressed margins at Curtis, which should be easy to improve. In fact, Unilever is paying only 60p for every £1 of sales.

But the deal was rather overshadowed by news that rival Procter & Gamble is cutting prices on large parts of its UK product range, including nappies, household cleaners and detergents. The move is targeted at own-label suppliers such as McBride. But reductions of up to 10 per cent are clearly bad news for Unilever, particularly in segments like dishwashing liquids where its Persil brand is second to P&G's Fairy. The real worry is that P&G, feeling it has Unilever on the run following the Persil Power debacle, may roll out these price cuts globally. The recent restructuring charges announced by Danone of France and Unilever itself, as well as price reductions from Italian pasta maker Barilla, suggest Europe's consumer products companies are finding it increasingly difficult to generate reasonable earnings growth.

FT-SE Eurotrack 200:
1663.4 (-0.4)



Source: FT Extel

PolyGram

PolyGram's virtually flat profits came as no surprise yesterday, following December's profits warning. The wonder is that PolyGram continues to be such a hit with investors; the share price has bounced back to pre-warning levels.

It is certainly reasonable to believe that PolyGram will be able to restore profitability in 1996. Of the four reasons given by the company for its disappointing performance last year, only one – the strength of the Dutch guilder – is outside its control, and irremediable. The other problems are being addressed; its pop release schedule for 1996 looks strong, and several of the album releases which were delayed last year should help provide a useful surge in revenues this year. There are hopes, too, of another box-office success to match 1994's *Four Weddings and a Funeral* in the 1996 crop of film releases, to push its four-year-old film operation into profit.

PolyGram has an impressive record, particularly given the nature of its business, but all this still requires a considerable leap of faith. Established artists are likely, but not certain, to repeat past successes, and the expected bulge in album releases could evaporate if more deadlines are missed. Film blockbusters are even harder to make to order.

There must, then, be some doubt about whether the level of risk inherent in the business is adequately reflected in PolyGram's share price. At around 19 times prospective earnings, the shares certainly do not look cheap.

Investor/Scania

The likely Skr30bn ($4.3bn) flotation of Scania, the Swedish truckmaker, looks a mouth-watering prospect for international investors. Demand for heavy trucks has slowed from the record levels of 1995, but the industry does not expect a severe downturn and prospects look healthier than for cars. Scania is the world's fifth largest manufacturer, but it is by far the most profitable. Operating margins are currently around 15 per cent and averaged nearly 10 per cent during the recession compared with 2.5 cent at Mercedes and Volvo. It has been consistently in the black for more than 60 years. The group's new Series 4 truck – the first significant product launch for 15 years – has won a Truck of the Year award, which should justify its premium pricing.

The flotation of 65 per cent of Scania also presages big changes for Investor, the Wallenberg holding company which currently owns 100 per cent. The Wallenbergs aim to invest more in growth areas such as healthcare and information technology and to reduce their exposure to cyclical industries like engineering and forestry.

The hope is that this will reduce the 20 per cent discount to net assets at which the Wallenberg companies have tended to trade. The recent takeover of Gambro, a medical technology group, by Incentive, the junior Wallenberg company, was a start. Floating Scania is the next step. The 16 per cent jump in Investor's shares over the past three weeks shows that its strategy is paying off.

UK inflation

The British chancellor of the exchequer, like his predecessor, must be singing in his bath. The Bank of England may not regard its remarkably cheerful inflation report, published yesterday, as a green light for further interest rate cuts. But that is no doubt how the chancellor will see it.

For the first time since 1994, the Bank thinks inflation will be below the government's 2½ per cent target in two years – even taking the two recent rate cuts into account. Given the Bank's recent record of over-cautious inflation forecasts, the chancellor is likely to have little hesitation in cutting rates further. This is certainly what the markets expect.

Of course, 2½ per cent inflation is very low by British standards. Missing it even by a few percentage points would hardly constitute a return to 1980s-style overheating. So why worry at all?

The answer is simply that building anti-inflationary credibility is a long-term project – one into which the government has invested huge amounts of political capital. If the government's mission to gain monetary credibility were working, market expectations of long-term inflation rates ought to be gradually falling. But they are not. The inflation rate expectations implied in long-term bond yields have actually been rising for some time. In other words, the credibility which the government has paid such a high price for is already beginning to slip through its hands. Further rate cuts would only serve to hasten its demise.

Additional Lex comment on Lloyds Abbey Life, Page 20

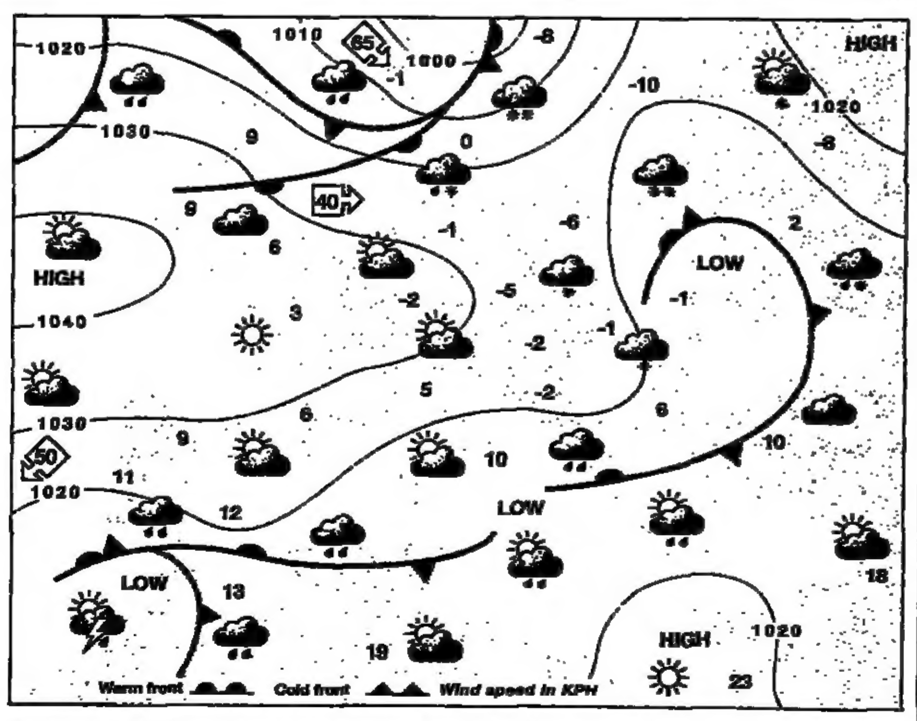
FT WEATHER GUIDE

Europe today

A vigorous depression over the Norwegian Sea will cause unsettled conditions over southern Scandinavia. A strong but relatively warm westerly air flow will bring torrential rain and sleet to southern Norway. Cloud will prevail from Scotland to Denmark and there will be occasional rain. The Low Countries, England, northern France and northern parts of Germany will be sunny. Cloud will persist over Bavaria and central Europe. Spain will have cloud with sunny spells. Rain is expected around Gibraltar and there will be showers over southern Italy and western Greece.

Five-day forecast

A series of low pressure systems will influence the UK, Scandinavia and western and central Europe producing mild conditions. Sleet or snow will occur over higher terrain. Winds will be strong at times.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	4	Caracas	fair	29	Faro	rain	14	Madrid	fair	10	Rangoon	sun	34
	Celsius		Belfast	cloudy	9	Cardiff	fair	6	Frankfurt	cloudy	0	Majorca	shower	12	Reykjavik	rain	7
Abu Dhabi	sun	25	Belgrade	cloudy	-1	Casablanca	shower	15	Geneva	cloudy	1	Malta	fair	17	Rio	fair	29
Accra	cloudy	33	Berlin	cloudy	0	Chicago	fair	-4	Gibraltar	rain	13	Manchester	cloudy	6	Rome	cloudy	11
Algiers	rain	14	Bermuda	shower	19	Cologne	fair	1	Glasgow	rain	10	Manila	fair	31	S. Frsco	fair	18
Amsterdam	fair	3	Bogota	fair	19	Dakar	sun	23	Hamburg	cloudy	1	Melbourne	sun	24	Seoul	sun	7
Athens	cloudy	15	Bombay	sun	33	Dallas	fair	16	Helsinki	cloudy	-6	Mexico City	fair	20	Singapore	cloudy	30
Atlanta	rain	13	Brussels	sun	1	Delhi	sun	20	Hong Kong	cloudy	24	Miami	fair	26	Stockholm	snow	-1
B. Aires	sun	30	Budapest	snow	-1	Dubai	sun	24	Honolulu	fair	25	Milan	fair	8	Strasbourg	cloudy	2
B.ham	fair	6	C.hagen	sleet	1	Dublin	cloudy	9	Istanbul	fair	11	Montreal	sun	-8	Sydney	windy	21
Bangkok	sun	33	Cairo	sun	21	Dubrovnik	shower	10	Jakarta	shower	28	Moscow	cloudy	-7	Tangier	rain	13
Barcelona	cloudy	10	Cape Town	sun	27	Edinburgh	rain	10	Jersey	sun	6	Munich	snow	-1	Tel Aviv	fair	20
									Karachi	sun	26	Nairobi	fair	28	Tokyo	fair	14
									Kuwait	fair	23	Naples	rain	11	Toronto	fair	-5
									L. Angeles	fair	20	Nassau	fair	24	Vancouver	sun	11
									Las Palmas	fair	20	New York	cloudy	3	Venice	fair	8
									Lima	fair	27	Nice	fair	11	Vienna	cloudy	0
									Lisbon	sun	12	Nicosia	fair	16	Warsaw	cloudy	-6
									London	sun	6	Oslo	sleet	2	Washington	cloudy	5
									Lux.bourg	fog	-1	Paris	fair	3	Wellington	fair	22
									Lyon	cloudy	0	Perth	sun	38	Winnipeg	cloudy	-11
									Madeira	shower	16	Prague	snow	-1	Zurich	cloudy	1